

103D CONGRESS
1ST SESSION

S. 491

To provide health care for every American and to control the cost of the health care system.

IN THE SENATE OF THE UNITED STATES

MARCH 3, 1993

Mr. WELLSTONE (for himself, Mr. METZENBAUM, Mr. SIMON, and Mr. INOUE) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To provide health care for every American and to control the cost of the health care system.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “American Health Security Act of 1993”.

6 (b) TABLE OF CONTENTS.—The table of contents of
7 this Act is as follows:

Sec. 1. Short title; table of contents.

TITLE I—ESTABLISHMENT OF A STATE-BASED AMERICAN
HEALTH SECURITY PROGRAM; UNIVERSAL ENTITLEMENT; EN-
ROLLMENT

Sec. 101. Establishment of a State-based American Health Security Program.

★(Star Print)

- Sec. 102. Universal entitlement.
- Sec. 103. Enrollment.
- Sec. 104. Portability of benefits.
- Sec. 105. Effective date of benefits.
- Sec. 106. Relationship to existing Federal health programs.

TITLE II—COMPREHENSIVE BENEFITS, INCLUDING PREVENTIVE BENEFITS AND BENEFITS FOR LONG TERM CARE

- Sec. 201. Comprehensive benefits.
- Sec. 202. Definitions relating to services.
- Sec. 203. Special rules for home and community-based long term care services.
- Sec. 204. Exclusions and limitations.

TITLE III—PROVIDER PARTICIPATION

- Sec. 301. Provider participation and standards.
- Sec. 302. Qualifications for providers.
- Sec. 303. Qualifications for comprehensive health service organizations.
- Sec. 304. Limitation on certain physician referrals.

TITLE IV—ADMINISTRATION

Subtitle A—General Administrative Provisions

- Sec. 401. American Health Security Standards Board.
- Sec. 402. American Health Security Advisory Council.
- Sec. 403. Professional, technical, and temporary advisory committees.
- Sec. 404. American Health Security Quality Council.
- Sec. 405. State health security programs.
- Sec. 406. District health advisory councils.
- Sec. 407. Complementary conduct of related health programs.

Subtitle B—Control Over Fraud and Abuse

- Sec. 411. Application of Federal sanctions to all fraud and abuse under American Health Security Program.
- Sec. 412. National health care fraud data base.
- Sec. 413. Requirements for operation of State health care fraud and abuse control units.
- Sec. 414. Assignment of unique provider and patient identifiers.

TITLE V—QUALITY ASSESSMENT

- Sec. 501. Functions of Quality Council; development of practice guidelines and application to outliers.
- Sec. 502. State quality review programs.
- Sec. 503. Certification; utilization review; plans of care.
- Sec. 504. Development of national electronic data base.

TITLE VI—HEALTH SECURITY BUDGET; PAYMENTS; COST CONTAINMENT MEASURES

Subtitle A—Budgeting and Payments to States

- Sec. 601. American health security budget.
- Sec. 602. Computation of individual and State capitation amounts.
- Sec. 603. State health security budgets.

- Sec. 604. Federal payments to States.
- Sec. 605. Required approval process for capital expenditures.

Subtitle B—Payments by States to Providers

- Sec. 611. Payments to hospitals and nursing facility services for operating expenses on the basis of approved global budgets.
- Sec. 612. Payments for other facility-based services.
- Sec. 613. Payments to health care practitioners based on prospective fee schedule.
- Sec. 614. Payments to comprehensive health service organizations.
- Sec. 615. Payments for community-based primary health facilities.
- Sec. 616. Payments for prescription drugs.
- Sec. 617. Payments for approved devices and equipment.
- Sec. 618. Payments for other items and services.
- Sec. 619. Role of commissions in establishing payment rates.
- Sec. 620. Payment incentives for medically underserved areas.
- Sec. 621. Waiver authority for alternative payment methodologies.

Subtitle C—Mandatory Assignment and Administrative Provisions

- Sec. 631. Mandatory assignment.
- Sec. 632. Procedures for reimbursement; appeals.

TITLE VII—PROMOTION OF PRIMARY HEALTH CARE; DEVELOPMENT OF HEALTH SERVICE CAPACITY; PROGRAMS TO ASSIST THE MEDICALLY UNDERSERVED

Subtitle A—Promotion and Expansion of Primary Care Professional Training

- Sec. 701. Role of Board; establishment of primary care professional output goals.
- Sec. 702. Establishment of Advisory Committee on Health Professional Education.
- Sec. 703. Grants for health professions education, nurse education, and the national health service corps.

Subtitle B—Direct Health Care Delivery

- Sec. 711. Setaside for public health block grants.
- Sec. 712. Setaside for primary health care delivery.
- Sec. 713. Primary care service expansion grants.

Subtitle C—Primary Care and Outcomes Research

- Sec. 721. Set-aside for outcomes research.
- Sec. 722. Office of Primary Care and Prevention Research.

TITLE VIII—FINANCING PROVISIONS; AMERICAN HEALTH SECURITY TRUST FUND

- Sec. 800. Amendment of 1986 code; section 15 not to apply.

Subtitle A—AMERICAN HEALTH SECURITY TRUST FUND

- Sec. 801. American Health Security Trust Fund.

Subtitle B—Increases in Corporate and Individual Income Tax Rates; Health Security Premium; and Surtax on Individuals With Incomes Over \$1,000,000

- Sec. 811. Increases in regular income tax rates.
- Sec. 812. Increases in minimum tax rates.
- Sec. 813. Health security premium.
- Sec. 814. Surtax on individuals with incomes over \$1,000,000.

Subtitle C—Employment Tax Changes

- Sec. 821. Modifications of certain employment tax provisions.

Subtitle D—Other Revenue Increases Primarily Affecting Individuals

- Sec. 831. Overall limitation on itemized deductions for high-income taxpayers made permanent.
- Sec. 832. Phaseout of personal exemption of high-income taxpayers made permanent.
- Sec. 833. Modifications to deductions for certain moving expenses.
- Sec. 834. Top estate and gift tax rates made permanent.
- Sec. 835. Elimination of deduction for club membership fees.
- Sec. 836. Increase of Social Security benefits included in income.
- Sec. 837. Long-term health care premium for the elderly.

Subtitle E—Other Revenue Increases Primarily Affecting Businesses

- Sec. 841. Mark to market accounting method for securities dealers.
- Sec. 842. Increase in recovery period for nonresidential real property.
- Sec. 843. Taxation of income of controlled foreign corporations attributable to imported property.
- Sec. 844. Repeal of deduction for intangible drilling and development costs.
- Sec. 845. Repeal of percentage depletion for oil and gas wells.
- Sec. 846. Repeal of application of like-kind exchange rules to real property.
- Sec. 847. Amortization of portion of advertising expenses.

Subtitle F—Estimated Tax Provisions

- Sec. 851. Individual estimated tax provisions.
- Sec. 852. Corporate estimated tax provisions.

Subtitle G—Alternative Taxable Years

- Sec. 861. Election of taxable year other than required taxable year.
- Sec. 862. Required payments for entities electing not to have required taxable year.

Subtitle H—Deduction for Charitable Contribution of Appreciated Property Limited To Adjusted Basis

- Sec. 871. Deduction for charitable contribution of appreciated property limited to adjusted basis.

Subtitle I—Minimum 5 Percent Rate of Tax on Interest Paid To Foreign Persons

- Sec. 881. Minimum 5 percent rate of tax on interest paid to foreign persons.

1 **TITLE I—ESTABLISHMENT OF A**
2 **STATE-BASED AMERICAN**
3 **HEALTH SECURITY PRO-**
4 **GRAM; UNIVERSAL ENTITLE-**
5 **MENT; ENROLLMENT**

6 **SEC. 101. ESTABLISHMENT OF A STATE-BASED AMERICAN**
7 **HEALTH SECURITY PROGRAM.**

8 (a) IN GENERAL.—There is hereby established in the
9 United States a State-based American Health Security
10 Program to be administered by the individual States in
11 accordance with Federal standards specified in, or estab-
12 lished under, this Act.

13 (b) STATE HEALTH SECURITY PROGRAMS.—In order
14 for a State to be eligible to receive payment under section
15 604, a State must establish a State health security pro-
16 gram in accordance with this Act.

17 (c) STATE DEFINED.—

18 (1) IN GENERAL.—In this Act, subject to para-
19 graph (2), the term “State” means each of the fifty
20 States and the District of Columbia.

21 (2) ELECTION.—If the Governor of Puerto
22 Rico, the Virgin Islands, Guam, American Samoa, or
23 the Northern Mariana Islands certifies to the Presi-
24 dent that the legislature of the Commonwealth or
25 territory has enacted legislation desiring that the

1 Commonwealth or territory be included as a State
2 under the provisions of this Act, such Common-
3 wealth or territory shall be included as a “State”
4 under this Act beginning January 1 of the first year
5 beginning ninety days after the President receives
6 the notification.

7 **SEC. 102. UNIVERSAL ENTITLEMENT.**

8 (a) IN GENERAL.—Every individual who is a resident
9 of the United States and is a citizen or national of the
10 United States or lawful resident alien (as defined in sub-
11 section (d) is entitled to benefits for health care services
12 under this Act under the appropriate State health security
13 program. In this section, the term “appropriate State
14 health security program” means, with respect to an indi-
15 vidual, the State health security program for the State in
16 which the individual maintains a primary residence.

17 (b) TREATMENT OF CERTAIN NONIMMIGRANTS.—

18 (1) IN GENERAL.—The American Health Secu-
19 rity Standards Board (in this Act referred to as the
20 “Board”) may make eligible for benefits for health
21 care services under the appropriate State health se-
22 curity program under this Act such classes of aliens
23 admitted to the United States as nonimmigrants as
24 the Board may provide.

1 (2) CONSIDERATION.—In providing for eligi-
2 bility under paragraph (1), the Board shall consider
3 reciprocity in health care services offered to United
4 States citizens who are nonimmigrants in other for-
5 eign states, and such other factors as the Board
6 determines to be appropriate.

7 (c) TREATMENT OF OTHER INDIVIDUALS.—

8 (1) BY BOARD.—The Board also may make eli-
9 gible for benefits for health care services under the
10 appropriate State health security program under this
11 Act other individuals not described in subsection (a)
12 or (b), and regulate the nature of the eligibility of
13 such individuals, in order—

14 (A) to preserve the public health of com-
15 munities,

16 (B) to compensate States for the addi-
17 tional health care financing burdens created by
18 such individuals, and

19 (C) to prevent adverse financial and medi-
20 cal consequences of uncompensated care,
21 while inhibiting travel and immigration to the
22 United States for the sole purpose of obtaining
23 health care services.

1 (2) BY STATES.—Any State health security pro-
2 gram may make individuals described in paragraph
3 (1) eligible for benefits at the expense of the State.

4 (d) LAWFUL RESIDENT ALIEN DEFINED.—For pur-
5 poses of this section, the term “lawful resident alien”
6 means an alien lawfully admitted for permanent residence
7 and any other alien lawfully residing permanently in the
8 United States under color of law, including an alien with
9 lawful temporary resident status under section 210, 210A,
10 or 234A of the Immigration and Nationality Act (8 U.S.C.
11 1160, 1161, or 1255a).

12 **SEC. 103. ENROLLMENT.**

13 (a) IN GENERAL.—Each State health security pro-
14 gram shall provide a mechanism for the enrollment of indi-
15 viduals entitled or eligible for benefits under this Act. The
16 mechanism shall—

17 (1) include a process for the automatic enroll-
18 ment of individuals at the time of birth in the Unit-
19 ed States and at the time of immigration into the
20 United States or other acquisition of lawful resident
21 status in the United States,

22 (2) provide for the enrollment, as of January 1,
23 1995, of all individuals who are eligible to be
24 enrolled as of such date, and

1 (3) include a process for the enrollment of indi-
2 viduals made eligible for health care services under
3 subsections (b) and (c) of section 102.

4 (b) AVAILABILITY OF APPLICATIONS.—Each State
5 health security program shall make applications for enroll-
6 ment under the program available—

7 (1) at local offices of the Social Security
8 Administration,

9 (2) at social services locations,

10 (3) at out-reach sites (such as provider and
11 practitioner locations), and

12 (4) at other locations (including post offices
13 and schools) accessible to a broad cross-section of
14 individuals eligible to enroll.

15 (c) ISSUANCE OF HEALTH SECURITY CARDS.—In
16 conjunction with an individual's enrollment for benefits
17 under this Act, the State health security program shall
18 provide for the issuance of a health security card which
19 shall be used for purposes of identification and processing
20 of claims for benefits under the program.

21 **SEC. 104. PORTABILITY OF BENEFITS.**

22 (a) IN GENERAL.—To ensure continuous access to
23 benefits for health care services covered under this Act,
24 each State health security program—

1 (1) shall not impose any minimum period of
2 residence in the State, or waiting period, in excess
3 of three months before residents of the State are en-
4 titled to, or eligible for, such benefits under the pro-
5 gram;

6 (2) shall provide continuation of payment for
7 covered health care services to individuals who have
8 terminated their residence in the State and estab-
9 lished their residence in another State, for the dura-
10 tion of any waiting period imposed in the State of
11 new residency for establishing entitlement to, or eli-
12 gibility for, such services; and

13 (3) shall provide for the payment for health
14 care services covered under this Act provided to indi-
15 viduals while temporarily absent from the State, for
16 reasons other than to obtain the services, based on
17 the following principles:

18 (A) Payment for such health care services
19 is at the rate that is approved by the State
20 health security program in the State in which
21 the services are provided, unless the States con-
22 cerned agree to apportion the cost between
23 them in a different manner.

24 (B)(i) Except as provided in clause (ii),
25 payment for such health care services provided

1 outside the United States is made on the basis
2 of the amount that would have been paid by the
3 State health security program for similar serv-
4 ices rendered in the State, with due regard, in
5 the case of hospital services, to the size of the
6 hospital, standards of service, and other rel-
7 evant factors.

8 (ii) Payment for services described under
9 clause (i) which are elective services shall be
10 subject to prior consent of the agency that ad-
11 ministers and operates the State health security
12 program if such elective services are available
13 on a substantially similar basis in the State.

14 (iii) For the purposes of this subpara-
15 graph, the term “elective services” means
16 health care services covered under this Act
17 other than services that are provided in an
18 emergency or in any other circumstance in
19 which medical care is required without delay.

20 (b) CROSS-BORDER ARRANGEMENTS.—A State
21 health security program for a State may negotiate with
22 such a program in an adjacent State a reciprocal arrange-
23 ment for the coverage under such other program of health
24 care services to enrollees residing in the border region.

1 **SEC. 105. EFFECTIVE DATE OF BENEFITS.**

2 Benefits shall first be available under this Act for
3 items and services furnished on or after January 1, 1995.

4 **SEC. 106. RELATIONSHIP TO EXISTING FEDERAL HEALTH**
5 **PROGRAMS.**

6 (a) MEDICARE AND MEDICAID.—

7 (1) IN GENERAL.—Notwithstanding any other
8 provision of law, subject to paragraph (2)—

9 (A) no benefits shall be available under
10 title XVIII of the Social Security Act for any
11 item or service furnished after December 31,
12 1994,

13 (B) no individual is entitled to medical as-
14 sistance under a State plan approved under
15 title XIX of such Act for any item or service
16 furnished after such date, and

17 (C) no payment shall be made to a State
18 under section 1903(a) of such Act with respect
19 to medical assistance for any item or service
20 furnished after such date.

21 (2) TRANSITION.—In the case of inpatient hos-
22 pital services and extended care services during a
23 continuous period of stay which began before Janu-
24 ary 1, 1995, and which had not ended as of such
25 date, for which benefits are provided under title
26 XVIII, or under a State plan under title XIX, of the

1 Social Security Act, the Secretary of Health and
 2 Human Services and each State plan, respectively,
 3 shall provide for continuation of benefits under such
 4 title or plan until the end of the period of stay.

5 (b) FEDERAL EMPLOYEES HEALTH BENEFITS PRO-
 6 GRAM.—No benefits shall be made available under chapter
 7 89 of title 5, United States Code, for any part of a
 8 coverage period occurring after December 31, 1994.

9 (c) CHAMPUS.—No benefits shall be made available
 10 under sections 1079 and 1086 of title 10, United States
 11 Code, for items or services furnished after December 31,
 12 1994.

13 (d) TREATMENT OF BENEFITS FOR VETERANS AND
 14 NATIVE AMERICANS.—Nothing in this Act shall affect the
 15 eligibility of veterans for the medical benefits and services
 16 provided under title 38, United States Code, or of Indians
 17 for the medical benefits and services provided by or
 18 through the Indian Health Service.

19 **TITLE II—COMPREHENSIVE BEN-**
 20 **EFITS, INCLUDING PREVEN-**
 21 **TIVE BENEFITS AND BENE-**
 22 **FITS FOR LONG TERM CARE**

23 **SEC. 201. COMPREHENSIVE BENEFITS.**

24 (a) IN GENERAL.—Subject to the succeeding provi-
 25 sions of this title, individuals enrolled for benefits under

1 this Act are entitled to have payment made under a State
2 health security program for the following items and serv-
3 ices if medically necessary and appropriate for the mainte-
4 nance of health or for the diagnosis, treatment, or rehabili-
5 tation of a health condition:

6 (1) HOSPITAL SERVICES.—Inpatient and out-
7 patient hospital care, including 24-hour a day emer-
8 gency services.

9 (2) PROFESSIONAL SERVICES.—Professional
10 services of health care practitioners authorized to
11 provide health care services under State law.

12 (3) COMMUNITY-BASED PRIMARY HEALTH
13 SERVICES.—Community-based primary health serv-
14 ices (as defined in section 202(a)).

15 (4) PREVENTIVE SERVICES.—Preventive serv-
16 ices (as defined in section 202(b)).

17 (5) LONG-TERM AND CHRONIC CARE SERV-
18 ICES.—

19 (A) Nursing facility services.

20 (B) Home health services.

21 (C) Home and community-based long term
22 care services (as defined in section 202(c)) for
23 individuals described in section 203(a).

24 (D) Hospice care.

1 (6) PRESCRIPTION DRUGS, BIOLOGICALS, INSU-
2 LIN, MEDICAL FOODS.—

3 (A) Outpatient prescription drugs and
4 biologicals, as specified by the Board consistent
5 with section 616.

6 (B) Insulin.

7 (C) Medical foods (as defined in section
8 202(d)).

9 (7) MENTAL HEALTH SERVICES.—Mental
10 health services (as defined in section 202(e)), subject
11 to the requirements of section 204(b).

12 (8) SUBSTANCE ABUSE TREATMENT SERV-
13 ICES.—Substance abuse treatment services (as de-
14 fined in section 202(f)), subject to the requirements
15 of section 204(b).

16 (9) DIAGNOSTIC TESTS.—Diagnostic tests.

17 (10) OTHER ITEMS AND SERVICES.—

18 (A) OUTPATIENT THERAPY.—Outpatient
19 physical therapy services, outpatient speech pa-
20 thology services, and outpatient occupational
21 therapy services in all settings.

22 (B) DURABLE MEDICAL EQUIPMENT.—Du-
23 rable medical equipment.

24 (C) HOME DIALYSIS.—Home dialysis sup-
25 plies and equipment.

1 (D) AMBULANCE.—Emergency ambulance
2 service.

3 (E) PROSTHETIC DEVICES.—Prosthetic de-
4 vices, including replacements of such devices.

5 (F) ADDITIONAL ITEMS AND SERVICES.—
6 Such other medical or health care items or serv-
7 ices as the Board may specify.

8 (b) NO COST-SHARING.—There are no deductibles,
9 coinsurance, or copayments applicable to benefits provided
10 under this title.

11 (c) PROHIBITION OF BALANCE BILLING.—As pro-
12 vided in section 631, no person may impose a charge for
13 covered services for which benefits are provided under this
14 Act.

15 (d) NO DUPLICATE HEALTH INSURANCE.—Each
16 State health security program shall prohibit the sale of
17 health insurance in the State if payment under the insur-
18 ance duplicates payment for any items or services for
19 which payment may be made under such a program.

20 (e) STATE PROGRAM MAY PROVIDE ADDITIONAL
21 BENEFITS.—Nothing in this Act shall be construed as
22 limiting the benefits that may be made available under a
23 State health security program to residents of the State
24 at the expense of the State.

1 (f) EMPLOYERS MAY PROVIDE ADDITIONAL BENE-
2 FITS.—Nothing in this Act shall be construed as limiting
3 the additional benefits that an employer may provide to
4 employees or their dependents, or to former employees or
5 their dependents.

6 **SEC. 202. DEFINITIONS RELATING TO SERVICES.**

7 (a) COMMUNITY-BASED PRIMARY HEALTH SERV-
8 ICES.—In this title, the term “community-based primary
9 health services” means ambulatory health services fur-
10 nished—

11 (1) by a rural health clinic;

12 (2) by a Federally-qualified health center, and
13 which, for purposes of this Act, include services
14 furnished by State and local health agencies;

15 (3) in a school-based setting;

16 (4) by public educational agencies and other
17 providers of services to children entitled to assist-
18 ance under the Individuals with Disabilities Edu-
19 cation Act for services furnished pursuant to a writ-
20 ten Individualized Family Services Plan or Individ-
21 ual Education Plan under such Act; and

22 (5) public and private non-profit entities receiv-
23 ing Federal assistance under the Public Health
24 Service Act.

25 (b) PREVENTIVE SERVICES.—

1 (1) IN GENERAL.—In this title, the term “pre-
2 ventive services” means items and services—

3 (A) which—

4 (i) are specified in paragraph (2), or

5 (ii) the Board determines to be effec-
6 tive in the maintenance and promotion of
7 health and minimizing the effect of illness,
8 disease, or medical condition or to be effec-
9 tive in preventing further deterioration due
10 to disability; and

11 (B) which are provided consistent with the
12 periodicity schedule established under para-
13 graph (3).

14 (2) SPECIFIED PREVENTIVE SERVICES.—The
15 services specified in this paragraph are as follows:

16 (A) Basic immunizations.

17 (B) Prenatal and well-baby care (for in-
18 fants under one year of age).

19 (C) Well-child care (including periodic
20 physical examinations, hearing and vision
21 screening, and developmental screening and ex-
22 aminations) for individuals under 18 years of
23 age.

1 (D) Periodic screening mammography, Pap
2 smears, and colorectal examinations and exami-
3 nations for prostate cancer.

4 (E) Routine dental examinations and pro-
5 phylaxis.

6 (F) Physical examinations.

7 (G) Family planning services.

8 (H) Routine eye examinations, eyeglasses,
9 and contact lenses.

10 (I) Hearing aids, but only upon a deter-
11 mination of a certified audiologist or physician
12 that a hearing problem exists and is caused by
13 a condition that can be corrected by use of a
14 hearing aid.

15 (3) SCHEDULE.—The Board shall establish, in
16 consultation with experts in preventive medicine and
17 public health and taking into consideration those
18 preventive services recommended by the Preventive
19 Services Task Force and published as the Guide to
20 Clinical Preventive Services, a periodicity schedule
21 for the coverage of preventive services under para-
22 graph (1). Such schedule shall take into consider-
23 ation the cost-effectiveness of appropriate preventive
24 care and shall be revised not less frequently than

1 once every 5 years, in consultation with experts in
2 preventive medicine and public health.

3 (c) HOME AND COMMUNITY-BASED LONG TERM
4 CARE SERVICES.—In this title, the term “home and com-
5 munity-based long term care services” means services pro-
6 vided to an individual and to enable the individual to func-
7 tion independently to the extent possible and to remain
8 in such individual’s place of residence within the commu-
9 nity and includes care coordination services (as defined in
10 subsection (g)(1)).

11 (d) MEDICAL FOODS.—In this title, the term “medi-
12 cal foods” means foods which are formulated to be
13 consumed or administered enterally under the supervision
14 of a physician and which are intended for the specific die-
15 tary management of a disease or condition for which dis-
16 tinctive nutritional requirements, based on recognized sci-
17 entific principles, are established by medical evaluation.

18 (e) MENTAL HEALTH SERVICES.—In this title, the
19 term “mental health services” means services related to
20 the prevention, diagnosis, treatment, and rehabilitation of
21 mental illness and promotion of mental health, including
22 the following services:

23 (1) Crisis intervention.

24 (2) Outpatient mental health services.

1 (3) Partial hospitalization and day and evening
2 treatment programs.

3 (4) Psychosocial rehabilitation services.

4 (5) Pharmacotherapeutic interventions.

5 (6) Other rehabilitation services, including half-
6 way and three-quarter-way house care.

7 (7) Inpatient mental health services.

8 (8) Care coordination services (as defined in
9 subsection (g)(1)).

10 (f) SUBSTANCE ABUSE TREATMENT SERVICES.—In
11 this title, the term “substance abuse treatment services”
12 means services related to the prevention, diagnosis, treat-
13 ment, and rehabilitation of dependency on alcohol or con-
14 trolled substances provided through a treatment program
15 meeting State qualification standards and includes the fol-
16 lowing services:

17 (1) Crisis intervention, including assessment,
18 diagnosis, and referral.

19 (2) Detoxification services, in ambulatory and
20 inpatient settings.

21 (3) Outpatient services, including intensive day
22 and evening programs, continuing care, and family
23 services.

24 (4) Short-term residential services in a hospital
25 or free-standing program.

1 (5) Long-term residential services, including
2 therapeutic communities and halfway houses.

3 (6) Pharmacotherapeutic interventions.

4 (7) Care coordination services (as defined in
5 subsection (g)(1)).

6 (g) CARE COORDINATION SERVICES.—

7 (1) DEFINITION.—

8 (A) IN GENERAL.—In this title, the term
9 “care coordination services” means services pro-
10 vided by care coordinators (as defined in para-
11 graph (2))—

12 (i) to individuals described in para-
13 graph (3) for the coordination and mon-
14 itoring of mental health services, substance
15 abuse treatment services, and home and
16 community-based long term care services,
17 and

18 (ii) to individuals who require services
19 to prevent secondary disabilities for the co-
20 ordination and monitoring of home and
21 community-based long term care services
22 and preventive services,
23 to ensure appropriate, cost-effective utilization
24 of such services in a comprehensive and contin-

1 uous manner, and includes the services de-
2 scribed in subparagraph (B).

3 (B) SERVICES INCLUDED.—The services
4 described in this subparagraph are—

5 (i) transition management between in-
6 patient facilities and community-based
7 services, including assisting patients in
8 identifying and gaining access to appro-
9 priate ancillary services; and

10 (ii) evaluating and recommending ap-
11 propriate treatment services, in coopera-
12 tion with patients and other providers and
13 in conjunction with any quality review pro-
14 gram or plan of care under title V.

15 (2) CARE COORDINATOR.—

16 (A) IN GENERAL.—In this title, the term
17 “care coordinator” means an individual or non-
18 profit or public agency or organization which
19 the State health security program determines—

20 (i) is capable of performing directly,
21 efficiently, and effectively the duties of a
22 care coordinator described in paragraph
23 (1), and

24 (ii) demonstrates capability in estab-
25 lishing and periodically reviewing and re-

1 vising plans of care, and in arranging for
2 and monitoring the provision and quality
3 of services under any plan.

4 (B) INDEPENDENCE.—State health secu-
5 rity programs shall establish safeguards to as-
6 sure that care coordinators have no financial in-
7 terest in treatment decisions or placements.
8 Care coordination may not be provided through
9 any structure or mechanism through which uti-
10 lization review is performed.

11 (3) ELIGIBLE INDIVIDUALS.—An individual de-
12 scribed in this paragraph is an individual—

13 (A) described in section 203 (relating to
14 individuals qualifying for long term and chronic
15 care services); or

16 (B) determined (in a manner specified by
17 the Board)—

18 (i) to have a serious mental illness (as
19 defined by the Board), or

20 (ii) to have a history of substance
21 abuse displaying severe associated illness
22 or previous treatment failure (as defined
23 by the Board).

24 (h) NURSING FACILITY; NURSING FACILITY SERV-
25 ICES.—Except as may be provided by the Board, the

1 terms “nursing facility” and “nursing facility services”
 2 have the meanings given such terms in sections 1919(a)
 3 and 1905(f), respectively, of the Social Security Act.

4 (i) OTHER TERMS.—Except as may be provided by
 5 the Board, the definitions contained in section 1861 of the
 6 Social Security Act shall apply.

7 **SEC. 203. SPECIAL RULES FOR HOME AND COMMUNITY-**
 8 **BASED LONG TERM CARE SERVICES.**

9 (a) QUALIFYING INDIVIDUALS.—For purposes of sec-
 10 tion 201(a)(5)(C), individuals described in this subsection
 11 are the following individuals:

12 (1) ADULTS.—Individuals 18 years of age or
 13 older determined (in a manner specified by the
 14 Board)—

15 (A) to be unable to perform, without the
 16 assistance of an individual, at least 2 of the fol-
 17 lowing 5 activities of daily living (or who has a
 18 similar level of disability due to cognitive im-
 19 pairment)—

20 (i) bathing;

21 (ii) eating;

22 (iii) dressing;

23 (iv) toileting; and

24 (v) transferring in and out of a bed or
 25 in and out of a chair; or

1 (B) due to cognitive or mental impair-
2 ments, requires supervision because the individ-
3 ual behaves in a manner that poses health or
4 safety hazards to himself or herself or others.

5 (2) CHILDREN.—Individuals under 18 years of
6 age determined (in a manner specified by the Board)
7 to meet such alternative standard of disability for
8 children as the Board develops.

9 (b) LIMIT ON SERVICES.—

10 (1) IN GENERAL.—No individual is entitled to
11 receive benefits under a State health security pro-
12 gram with respect to home and community-based
13 long term care services in a period (specified by the
14 Board) to the extent the amount of payments for
15 such benefits exceeds 65 percent (or such alternative
16 ratio as the Board establishes under paragraph (2))
17 of the average of amount of payment that would
18 have been made under the program during the pe-
19 riod if the individual were a resident of a nursing fa-
20 cility in the same area in which the services were
21 provided.

22 (2) ALTERNATIVE RATIO.—The Board may es-
23 tablish for purposes of paragraph (1) an alternative
24 ratio (of payments for home and community-based
25 long term care services to payments for nursing fa-

1 cility services) as the Board determines to be more
2 consistent with the goal of providing cost-effective
3 long-term care in the most appropriate and least
4 restrictive setting.

5 **SEC. 204. EXCLUSIONS AND LIMITATIONS.**

6 (a) IN GENERAL.—Subject to section 201(e), benefits
7 for service are not available under this Act unless the serv-
8 ices meet the standards specified in section 201(a).

9 (b) MENTAL HEALTH SERVICES AND SUBSTANCE
10 ABUSE TREATMENT SERVICES.—

11 (1) IN GENERAL.—Mental health services and
12 substance abuse treatment services furnished for an
13 individual in excess of a threshold specified in para-
14 graph (2) are not covered services unless the services
15 are determined under a utilization review program to
16 meet the standards specified in section 201(a) and,
17 with respect to inpatient or residential treatment
18 services, to be provided in the least restrictive and
19 most appropriate setting.

20 (2) UTILIZATION REVIEW THRESHOLD.—

21 (A) IN GENERAL.—Subject to subpara-
22 graphs (B) and (C), the thresholds specified in
23 this paragraph are—

24 (i) 20 outpatient visits in a year, and

1 (ii) 15 days of inpatient services in a
2 year.

3 (B) ALTERNATIVE NATIONAL THRESH-
4 OLDS.—The Board may specify alternative
5 thresholds to those specified in subparagraph
6 (A).

7 (C) ADDITIONAL STATE THRESHOLDS.—A
8 State health security program may specify
9 thresholds in addition to those established
10 under the previous subparagraphs, which
11 thresholds may be higher or lower than the
12 number of outpatient visits or days of inpatient
13 services otherwise specified.

14 (c) TREATMENT OF EXPERIMENTAL SERVICES.—In
15 applying subsection (a), the Board shall make, after con-
16 sultation with a technical advisory committee, national
17 coverage determinations with respect to those services that
18 are experimental in nature. Such determinations shall be
19 made consistent with a process that provides for profes-
20 sional input and public comment.

21 (d) APPLICATION OF NATIONAL PRACTICE GUIDE-
22 LINES.—In the case of services for which the Board has
23 recognized national practice guidelines, the services are
24 considered to meet the standards specified in section
25 201(a) only if they have been provided in accordance with

1 such guidelines or in accordance with such exceptions
2 process as may be established by the Board consistent
3 with such guidelines.

4 (e) SPECIFIC LIMITATIONS.—

5 (1) LIMITATIONS ON EYEGLASSES, CONTACT
6 LENSES, HEARING AIDS, AND DURABLE MEDICAL
7 EQUIPMENT.—Subject to section 201(e), the Board
8 may impose such limits relating to the costs and fre-
9 quency of replacement of eyeglasses, contact lenses,
10 hearing aids, and durable medical equipment to
11 which individuals enrolled for benefits under this Act
12 are entitled to have payment made under a State
13 health security program as the Board deems appro-
14 priate.

15 (2) OVERLAP WITH PREVENTIVE SERVICES.—
16 The coverage of services described in section 201(a)
17 (other than paragraph (3)) which also are preventive
18 services are required to be covered only to the extent
19 that they are required to be covered as preventive
20 services.

21 (3) MISCELLANEOUS EXCLUSIONS FROM COV-
22 ERED SERVICES.—Covered services under this Act
23 do not include the following:

24 (A) Surgery and other procedures (such as
25 orthodontia) performed solely for cosmetic pur-

poses (as defined in regulations) and hospital or other services incident thereto, unless—

(i) required to correct a congenital anomaly;

(ii) required to restore or correct a part of the body which has been altered as a result of accidental injury, disease, or surgery; or

(iii) otherwise determined to be medically necessary and appropriate under section 201(a).

(B) Personal comfort items or private rooms in inpatient facilities, unless determined to be medically necessary and appropriate under section 201(a).

(C) The services of a professional practitioner if they are furnished in a hospital or other facility which is not a participating provider.

(f) NURSING FACILITY SERVICES AND HOME HEALTH SERVICES.—Nursing facility services and home health services (other than post-hospital services, as defined by the Board) furnished to an individual who is not described in section 203(a) are not covered services unless the services are determined to meet the standards speci-

1 filed in section 201(a) and, with respect to nursing facility
 2 services, to be provided in the least restrictive and most
 3 appropriate setting.

4 (g) SERVICES INVOLVING UNAPPROVED CAPITAL
 5 EXPENDITURES.—Benefits are not available under this
 6 Act with respect to a service which involves the use of
 7 equipment, facility, or plant if the capital expenditure for
 8 the equipment, facility, or plant was subject to, but was
 9 not approved under, the process described in section 605.

10 **TITLE III—PROVIDER** 11 **PARTICIPATION**

12 **SEC. 301. PROVIDER PARTICIPATION AND STANDARDS.**

13 (a) IN GENERAL.—An individual or other entity fur-
 14 nishing any covered service under a State health security
 15 program under this Act is not a qualified provider unless
 16 the individual or entity—

17 (1) is a qualified provider of the services under
 18 section 302;

19 (2) has filed with the State health security pro-
 20 gram a participation agreement described in sub-
 21 section (b); and

22 (3) meets such other qualifications and condi-
 23 tions as are established by the Board or the State
 24 health security program under this Act.

1 (b) REQUIREMENTS IN PARTICIPATION AGREE-
2 MENT.—

3 (1) IN GENERAL.—A participation agreement
4 described in this subsection between a State health
5 security program and a provider shall provide at
6 least for the following:

7 (A) Services to eligible persons will be fur-
8 nished by the provider without discrimination
9 on the ground of race, national origin, income,
10 religion, age, sex or sexual orientation, disabil-
11 ity, handicapping condition, or (subject to the
12 professional qualifications of the provider) ill-
13 ness. Nothing in this subparagraph shall be
14 construed as requiring the provision of a type
15 or class of services which services are outside
16 the scope of the provider's normal practice.

17 (B) No charge will be made for any cov-
18 ered services other than for payment authorized
19 by this Act.

20 (C) The provider agrees to furnish such in-
21 formation as may be reasonably required by the
22 Board or a State health security program, in
23 accordance with uniform reporting standards
24 established under section 401(g)(1), for—

1 (i) quality assurance and utilization
2 review by professional peers and consum-
3 ers;

4 (ii) the making of payments under
5 this Act (including the examination of
6 records as may be necessary for the ver-
7 ification of information on which payments
8 are based);

9 (iii) statistical or other studies re-
10 quired for the implementation of this Act;
11 and

12 (iv) such other purposes as the Board
13 or State may specify.

14 (D) The provider agrees not to expend any
15 amounts on capital expenditures (as defined in
16 section 605(c)) relating to the provision of cov-
17 ered services unless the purchase of such items
18 has been approved under section 605 and
19 agrees not to bill the program for any services
20 for which benefits are not available because of
21 section 204(g).

22 (E) In the case of a provider that is not
23 an individual, the provider agrees not to employ
24 or use for the provision of health services any
25 individual or other provider who or which has

1 had a participation agreement under this sub-
2 section terminated for cause.

3 (F) In the case of a provider paid under a
4 fee-for-service basis under section 613, the pro-
5 vider agrees to submit bills and any required
6 supporting documentation relating to the provi-
7 sion of covered services within 30 days (or such
8 shorter period as a State health security pro-
9 gram may require) after the date of providing
10 such services.

11 (2) TERMINATION OF PARTICIPATION AGREE-
12 MENTS.—

13 (A) IN GENERAL.—Participation agree-
14 ments may be terminated, with appropriate no-
15 tice—

16 (i) by the Board or a State health
17 security program for failure to meet the
18 requirements of this title, or

19 (ii) by a provider.

20 (B) TERMINATION PROCESS.—Providers
21 shall be provided notice and a reasonable oppor-
22 tunity to correct deficiencies before the Board
23 or a State health security program terminates
24 an agreement unless a more immediate termi-

1 nation is required for public safety or similar
2 reasons.

3 **SEC. 302. QUALIFICATIONS FOR PROVIDERS.**

4 (a) IN GENERAL.—A health care provider is consid-
5 ered to be qualified to provide covered services if the pro-
6 vider is licensed or certified and meets—

7 (1) all the requirements of State law to provide
8 such services,

9 (2) applicable requirements of Federal law to
10 provide such services, and

11 (3) any applicable standards established under
12 subsection (b).

13 (b) MINIMUM PROVIDER STANDARDS.—

14 (1) IN GENERAL.—The Board shall establish,
15 evaluate, and update national minimum standards to
16 assure the quality of services provided under this
17 Act and to monitor efforts by State health security
18 programs to assure the quality of such services. A
19 State health security program may also establish ad-
20 ditional minimum standards which providers must
21 meet.

22 (2) NATIONAL MINIMUM STANDARDS.—The na-
23 tional minimum standards under paragraph (1) shall
24 be established for institutional providers of services,
25 individual health care practitioners, and comprehen-

1 sive health service organizations. Except as the
2 Board may specify in order to carry out this title,
3 a hospital, nursing facility, or other institutional
4 provider of services shall meet standards (including
5 having in effect a utilization review plan) for such
6 a facility under the medicare program under title
7 XVIII of the Social Security Act. Such standards
8 also may include, where appropriate, elements relat-
9 ing to—

10 (A) adequacy and quality of facilities;

11 (B) training and competence of personnel
12 (including continuing education requirements);

13 (C) comprehensiveness of service;

14 (D) continuity of service;

15 (E) patient satisfaction (including waiting
16 time and access to services); and

17 (F) performance standards (including or-
18 ganization, facilities, structure of services, effi-
19 ciency of operation, and outcome in palliation,
20 improvement of health, stabilization, cure, or
21 rehabilitation).

22 (3) TRANSITION IN APPLICATION.—If the
23 Board provides for additional requirements for pro-
24 viders under this subsection, any such additional re-
25 quirement shall be implemented in a manner that

1 provides for a reasonable period during which a pre-
 2 viously qualified provider is permitted to meet such
 3 an additional requirement.

4 (4) EXCHANGE OF INFORMATION.—The Board
 5 shall provide for an exchange, at least annually,
 6 among State health security programs of informa-
 7 tion with respect to quality assurance and cost
 8 containment.

9 **SEC. 303. QUALIFICATIONS FOR COMPREHENSIVE HEALTH**
 10 **SERVICE ORGANIZATIONS.**

11 (a) IN GENERAL.—For purposes of this Act, a com-
 12 prehensive health service organization (in this section re-
 13 ferred to as a “CHSO”) is a public or private organization
 14 which, in return for payment under section 613(a), under-
 15 takes to furnish, arrange for the provision of, or provide
 16 payment with respect to—

17 (1) a full range of health services (as identified
 18 by the Board), including at least hospital services
 19 and physicians services, and

20 (2) out-of-area coverage in the case of urgently
 21 needed services,
 22 to an identified population which is living in or near a
 23 specified service area and which enrolls voluntarily in the
 24 organization.

25 (b) ENROLLMENT.—

1 (1) IN GENERAL.—All eligible persons living in
2 or near the specified service area of a CHSO are eli-
3 gible to enroll in the organization; except that the
4 number of enrollees may be limited to avoid overtax-
5 ing the resources of the organization.

6 (2) MINIMUM ENROLLMENT PERIOD.—Subject
7 to paragraph (3), the minimum period of enrollment
8 with a CHSO shall be twelve months, unless the en-
9 rolled individual becomes ineligible to enroll with the
10 organization.

11 (3) WITHDRAWAL FOR CAUSE.—Each CHSO
12 shall permit an enrolled individual to disenroll from
13 the organization for cause at any time.

14 (4) BROAD MARKETING.—Each CHSO must
15 provide for the marketing of its services (including
16 dissemination of marketing materials) to potential
17 enrollees in a manner that is designed to enroll indi-
18 viduals representative of the different population
19 groups and geographic areas included within its
20 service area and meets such requirements as the
21 Board or a State health security program may
22 specify.

23 (c) REQUIREMENTS FOR CHSOs.—

24 (1) ACCESSIBLE SERVICES.—Each CHSO, to
25 the maximum extent feasible, shall make all services

1 readily and promptly accessible to enrollees who live
2 in the specified service area.

3 (2) CONTINUITY OF CARE.—Each CHSO shall
4 furnish services in such manner as to provide con-
5 tinuity of care and (when services are furnished by
6 different providers) shall provide ready referral of
7 patients to such services and at such times as may
8 be medically appropriate.

9 (3) BOARD OF DIRECTORS.—In the case of a
10 CHSO that is a private organization—

11 (A) CONSUMER REPRESENTATION.—At
12 least one-third of the members of the CHSO's
13 board of directors must be consumer members
14 with no direct or indirect, personal or family
15 financial relationship to the organization.

16 (B) PROVIDER REPRESENTATION.—The
17 CHSO's board of directors must include at
18 least one member who represents health care
19 providers.

20 (4) PATIENT GRIEVANCE PROGRAM.—Each
21 CHSO must have in effect a patient grievance pro-
22 gram and must conduct regularly surveys of the sat-
23 isfaction of members with services provided by or
24 through the organization.

1 (5) HEALTH EDUCATION.—Each CHSO must
2 encourage health education of its enrollees and the
3 development and use of preventive health services,
4 health promotion and wellness, self-care, and, if
5 applicable, independent living arrangements.

6 (6) MEDICAL STANDARDS.—Each CHSO must
7 provide that a committee or committees of health
8 care practitioners associated with the organization
9 will promulgate medical standards, oversee the pro-
10 fessional aspects of the delivery of care, perform the
11 functions of a pharmacy and drug therapeutics com-
12 mittee, and monitor and review the quality of all
13 health services (including drugs, education, and pre-
14 ventive services).

15 (7) USE OF ALLIED HEALTH PROFES-
16 SIONALS.—Each CHSO must, to the extent prac-
17 ticable and consistent with good medical practice,
18 employ allied health personnel and paraprofessional
19 persons in the furnishing of services.

20 (8) PREMIUMS.—Premiums or other charges by
21 a CHSO for any services not paid for under this Act
22 must be reasonable.

23 (9) UTILIZATION AND BONUS INFORMATION.—
24 Each CHSO must—

1 (A) comply with the requirements of sec-
2 tion 1876(i)(8) of the Social Security Act (re-
3 lating to prohibiting physician incentive plans
4 that provide specific inducements to reduce or
5 limit medically necessary services), and

6 (B) make available to its membership utili-
7 zation information and data regarding financial
8 performance, including bonus or incentive pay-
9 ment arrangements to practitioners.

10 (10) PROVISION OF SERVICES TO ENROLLEES
11 AT INSTITUTIONS OPERATING UNDER GLOBAL BUDG-
12 ETS.—The organization shall arrange to reimburse
13 for hospital services and other facility-based services
14 (as identified by the Board) for services provided to
15 members of the organization in accordance with the
16 global operating budget of the hospital or nursing
17 facility approved under section 611.

18 (11) LIMITATION ON CAPITAL EXPENDI-
19 TURES.—The organization agrees—

20 (A) not to expend any amounts on capital
21 expenditures (as defined in section 605(c)) re-
22 lating to the provision of covered services unless
23 the purchase of such items has been approved
24 under section 605,

1 (B) that any amounts attributable to a
2 reasonable rate of return on equity capital shall
3 not be used for any capital expenditures, and

4 (C) agrees not to bill the program for any
5 services for which benefits are not available
6 because of section 204(g).

7 (12) ADDITIONAL REQUIREMENTS.—Each
8 CHSO must meet—

9 (A) such requirements relating to mini-
10 mum enrollment,

11 (B) such requirements relating to financial
12 solvency,

13 (C) such requirements relating to quality
14 and availability of care, and

15 (D) such other requirements,

16 as the Board or a State health security program
17 may specify.

18 (d) PROVISION OF EMERGENCY SERVICES TO
19 NONENROLLEES.—A CHSO may furnish emergency serv-
20 ices to persons who are not enrolled in the organization.
21 Payment for such services, if they are covered services to
22 eligible persons, shall be made to the organization unless
23 the organization requests that it be made to the individual
24 practitioner who furnished the services.

1 **SEC. 304. LIMITATION ON CERTAIN PHYSICIAN REFERRALS.**

2 (a) APPLICATION TO AMERICAN HEALTH SECURITY
3 PROGRAM.—Section 1877 of the Social Security Act, as
4 amended by subsections (b) and (c), shall apply under this
5 Act in the same manner as it applies under title XVIII
6 of the Social Security Act; except that in applying such
7 section under this Act any references in such section to
8 the Secretary or title XVIII of the Social Security Act are
9 deemed references to the Board and the American Health
10 Security Program under this Act, respectively.

11 (b) EXPANSION OF PROHIBITION TO CERTAIN DES-
12 IGNATED SERVICES.—Section 1877 of the Social Security
13 Act (42 U.S.C. 1395nn) is amended—

14 (1) by striking “clinical laboratory services”
15 and “CLINICAL LABORATORY SERVICES” and insert-
16 ing “designated health services” and “DESIGNATED
17 HEALTH SERVICES”, respectively, each place either
18 appears in subsections (a)(1), (b)(2)(A)(ii)(I),
19 (b)(4), (d)(1), (d)(2), and (d)(3);

20 (2) by adding at the end of such section the
21 following new subsection:

22 “(i) DESIGNATED HEALTH SERVICES DEFINED.—In
23 this section, the term ‘designated health services’ means—

24 “(1) clinical laboratory services;

25 “(2) physical therapy services;

1 “(3) radiology services, including magnetic reso-
2 nance imaging, computerized axial tomography
3 scans, and ultrasound services;

4 “(4) radiation therapy services;

5 “(5) the furnishing of durable medical equip-
6 ment;

7 “(6) the furnishing of parenteral and enteral
8 nutrition equipment and supplies;

9 “(7) the furnishing of outpatient prescription
10 drugs;

11 “(8) ambulance services;

12 “(9) home infusion therapy services;

13 “(10) occupational therapy services;

14 “(11) inpatient and outpatient hospital services
15 (including services furnished at a psychiatric or re-
16 habilitation hospital); and

17 “(12) other services or technologies as defined
18 by the American Health Security Standards
19 Board.”;

20 (3) in subsection (d)(2), by striking “labora-
21 tory” and by inserting “entity”;

22 (4) in subsection (g)(1), by striking “clinical
23 laboratory service” and by inserting “designated
24 health service”; and

1 (5) in subsection (h)(7)(B), by striking “clinical
2 laboratory service” and by inserting “designated
3 health service”.

4 (c) CONFORMING AMENDMENTS.—Such section is
5 further amended—

6 (1) in subsection (a)(1)(A), by striking “for
7 which payment otherwise may be made under this
8 title” and by inserting “for which a charge is
9 imposed”;

10 (2) in subsection (a)(1)(B), by striking “under
11 this title”;

12 (3) by amending paragraph (1) of subsection
13 (g) to read as follows:

14 “(1) DENIAL OF PAYMENT.—No payment may
15 be made under a State health security program for
16 a designated health service for which a claim is pre-
17 sented in violation of subsection (a)(1)(B). No indi-
18 vidual, third party payor, or other entity is liable for
19 payment for designated health services for which a
20 claim is presented in violation of such subsection.”;
21 and

22 (4) In subsection (g)(3), by striking “for which
23 payment may not be made under paragraph (1)”
24 and by inserting “for which such a claim may not
25 be presented under subsection (a)(1)”.

1 **TITLE IV—ADMINISTRATION**
2 **Subtitle A—General Administrative**
3 **Provisions**

4 **SEC. 401. AMERICAN HEALTH SECURITY STANDARDS**
5 **BOARD.**

6 (a) ESTABLISHMENT.—There is hereby established
7 an American Health Security Standards Board.

8 (b) APPOINTMENT AND TERMS OF MEMBERS.—

9 (1) IN GENERAL.—The Board shall be com-
10 posed of—

11 (A) the Secretary of Health and Human
12 Services, and

13 (B) 6 other individuals (described in para-
14 graph (2)) appointed by the President with the
15 advice and consent of the Senate.

16 The President shall first nominate individuals under
17 subparagraph (B) on a timely basis so as to provide
18 for the operation of the Board by not later than
19 January 1, 1994.

20 (2) SELECTION OF APPOINTED MEMBERS.—

21 With respect to the individuals appointed under
22 paragraph (1)(B):

23 (A) They shall be chosen on the basis of
24 backgrounds in health policy, health economics,

1 the healing professions, and the administration
2 of health care institutions.

3 (B) They shall provide a balanced point of
4 view with respect to the various health care in-
5 terests and at least two of them shall represent
6 the interests of individual consumers.

7 (C) Not more than three of them shall be
8 from the same political party.

9 (3) TERMS OF APPOINTED MEMBERS.—Individ-
10 uals appointed under paragraph (1)(B) shall serve
11 for a term of 6 years, except that the terms of 5 of
12 the individuals initially appointed shall be, as des-
13 ignated by the President at the time of their ap-
14 pointment, for 1, 2, 3, 4, and 5 years. During a
15 term of membership on the Board, no member shall
16 engage in any other business, vocation or employ-
17 ment.

18 (c) VACANCIES.—

19 (1) IN GENERAL.—The President shall fill any
20 vacancy in the membership of the Board in the same
21 manner as the original appointment. The vacancy
22 shall not affect the power of the remaining members
23 to execute the duties of the Board.

24 (2) VACANCY APPOINTMENTS.—Any member
25 appointed to fill a vacancy shall serve for the re-

1 mainder of the term for which the predecessor of the
2 member was appointed.

3 (3) REAPPOINTMENT.—The President may re-
4 appoint an appointed member of the Board for a
5 second term in the same manner as the original ap-
6 pointment. A member who has served for two con-
7 secutive 6-year terms shall not be eligible for re-
8 appointment until two years after the member has
9 ceased to serve.

10 (4) REMOVAL FOR CAUSE.—Upon confirmation,
11 members of the Board may not be removed except
12 by the President for cause.

13 (d) CHAIR.—The President shall designate one of the
14 members of the Board, other than the Secretary, to serve
15 at the will of the President as Chair of the Board.

16 (e) COMPENSATION.—Members of the Board (other
17 than the Secretary) shall be entitled to compensation at
18 a level equivalent to level II of the Executive Schedule,
19 in accordance with section 5313 of title 5, United States
20 Code.

21 (f) GENERAL DUTIES OF THE BOARD.—

22 (1) IN GENERAL.—The Board shall develop
23 policies, procedures, guidelines, and requirements to
24 carry out this Act, including those related to—

25 (A) eligibility;

1 (B) enrollment;

2 (C) benefits;

3 (D) provider participation standards and
4 qualifications, as defined in title III;

5 (E) national and State funding levels;

6 (F) methods for determining amounts of
7 payments to providers of covered services, con-
8 sistent with subtitle B of title VI;

9 (G) the determination of medical necessity
10 and appropriateness (including the coverage of
11 new technologies and the application of medical
12 practice guidelines);

13 (H) quality assurance;

14 (I) assisting State health security pro-
15 grams with planning for capital expenditures
16 and service delivery;

17 (J) planning for health professional edu-
18 cation funding (as specified in title VII);

19 (K) allocating funds provided under title
20 VII; and

21 (L) encouraging States to develop regional
22 planning mechanisms (described in section
23 405(a)(3)).

24 (2) REGULATIONS.—Regulations authorized by
25 this Act shall be issued by the Board in accordance

1 with the provisions of section 553 of title 5, United
2 States Code.

3 (g) UNIFORM REPORTING STANDARDS; ANNUAL RE-
4 PORT; STUDIES.—

5 (1) UNIFORM REPORTING STANDARDS.—

6 (A) IN GENERAL.—The Board shall estab-
7 lish uniform reporting requirements and stand-
8 ards to ensure an adequate national data base
9 regarding health services practitioners, services
10 and finances of State health security programs,
11 approved plans, providers, and the costs of fa-
12 cilities and practitioners providing services.
13 Such standards shall include, to the maximum
14 extent feasible, health outcome measures.

15 (B) REPORTS.—The Board shall analyze
16 regularly information reported to it, and to
17 State health security programs pursuant to
18 such requirements and standards.

19 (2) ANNUAL REPORT.—Beginning January 1,
20 of the second year beginning after the date of the
21 enactment of this Act, the Board shall annually
22 report to Congress on the following:

23 (A) The status of implementation of the
24 Act.

25 (B) Enrollment under this Act.

1 (C) Benefits under this Act.

2 (D) Expenditures and financing under this
3 Act.

4 (E) Cost-containment measures and
5 achievements under this Act.

6 (F) Quality assurance.

7 (G) The planning and approval process for
8 determining capital expenditures under this
9 Act, and the effects of decisions made under
10 this provision.

11 (H) Health care utilization patterns, in-
12 cluding any changes attributable to the pro-
13 gram.

14 (I) Long-range plans and goals for the de-
15 livery of health services.

16 (J) Differences in the health status of the
17 populations of the different States, including in-
18 come and racial characteristics.

19 (K) Necessary changes in the education of
20 health personnel.

21 (L) Plans for improving service to medi-
22 cally underserved populations.

23 (M) Transition problems as a result of im-
24 plementation of this Act.

1 (N) Opportunities for improvements under
2 this Act.

3 (3) STATISTICAL ANALYSES AND OTHER STUD-
4 IES.—The Board may, either directly or by con-
5 tract—

6 (A) make statistical and other studies, on
7 a nationwide, regional, state, or local basis, of
8 any aspect of the operation of this Act, includ-
9 ing studies of the effect of the Act upon the
10 health of the people of the United States and
11 the effect of comprehensive health services upon
12 the health of persons receiving such services;

13 (B) develop and test methods of providing
14 through payment for services or otherwise, ad-
15 ditional incentives for adherence by providers to
16 standards of adequacy, access, and quality;
17 methods of consumer and peer review and peer
18 control of the utilization of drugs, of laboratory
19 services, and of other services; and methods of
20 consumer and peer review of the quality of
21 services;

22 (C) develop and test, for use by the Board,
23 records and information retrieval systems and
24 budget systems for health services administra-

1 tion, and develop and test model systems for
2 use by providers of services;

3 (D) develop and test, for use by providers
4 of services, records and information retrieval
5 systems useful in the furnishing of preventive
6 or diagnostic services;

7 (E) develop, in collaboration with the phar-
8 maceutical profession, and test, improved ad-
9 ministrative practices or improved methods for
10 the reimbursement of independent pharmacies
11 for the cost of furnishing drugs as a covered
12 service; and

13 (F) make such other studies as it may con-
14 sider necessary or promising for the evaluation,
15 or for the improvement, of the operation of this
16 Act.

17 (4) REPORT ON USE OF EXISTING FEDERAL
18 HEALTH CARE FACILITIES.—Not later than one year
19 after the date of the enactment of this Act, the
20 Board shall recommend to the Congress one or more
21 proposals for the treatment of health care facilities
22 of the Federal Government.

23 (h) EXECUTIVE DIRECTOR.—

24 (1) APPOINTMENT.—There is hereby estab-
25 lished the position of Executive Director of the

1 Board. The Director shall be appointed by the
2 Board and shall serve as secretary to the Board and
3 perform such duties in the administration of this
4 title as the Board may assign.

5 (2) DELEGATION.—The Board is authorized to
6 delegate to the Director or to any other officer or
7 employee of the Board or, with the approval of the
8 Secretary of Health and Human Services (and sub-
9 ject to reimbursement of identifiable costs), to any
10 other officer or employee of the Department of
11 Health and Human Services, any of its functions or
12 duties under this Act other than—

13 (A) the issuance of regulations; or

14 (B) the determination of the availability of
15 funds and their allocation to implement this
16 Act.

17 (3) COMPENSATION.—The Executive Director
18 of the Board shall be entitled to compensation at a
19 level equivalent to level III of the Executive Sched-
20 ule, in accordance with section 5314 of title 5,
21 United States Code.

22 (i) INSPECTOR GENERAL.—The Inspector General
23 Act of 1978 (5 U.S.C. App.) is amended—

1 (1) in section 11(1) by inserting after “Cor-
2 poration;” the following: “the Chair of the American
3 Health Security Standards Board;”;

4 (2) in section 11(2) by inserting after “Infor-
5 mation Agency,” the following: “the American
6 Health Security Standards Board;” and

7 (3) by inserting after section 8F the following:

8 **“§ 8G. Special provisions concerning American**
9 **Health Security Standards Board**

10 “The Inspector General of the American Health Se-
11 curity Standards Board, in addition to the other authori-
12 ties vested by this Act, shall have the same authority, with
13 respect to the Board and the American Health Security
14 Program under this Act, as the Inspector General for the
15 Department of Health and Human Services has with re-
16 spect to the Secretary of Health and Human Services and
17 the medicare and medicaid programs, respectively.”.

18 (j) STAFF.—The Board shall employ such staff as the
19 Board may deem necessary.

20 (k) ACCESS TO INFORMATION.—The Secretary of
21 Health and Human Services shall make available to the
22 Board all information available from sources within the
23 Department or from other sources, pertaining to the
24 duties of the Board.

1 **SEC. 402. AMERICAN HEALTH SECURITY ADVISORY COUN-**
2 **CIL.**

3 (a) IN GENERAL.—The Board shall provide for an
4 American Health Security Advisory Council (in this sec-
5 tion referred to as the “Council”) to advise the Board on
6 its activities.

7 (b) MEMBERSHIP.—The Council shall be composed
8 of—

9 (1) the Chair of the Board, who shall serve as
10 Chair of the Council, and

11 (2) twenty members, not otherwise in the em-
12 ploy of the United States, appointed by the Board
13 without regard to the provisions of title 5, United
14 States Code, governing appointments in the competi-
15 tive service.

16 The appointed members shall include, in accordance with
17 subsection (e), individuals who are representative of State
18 health security programs, public health professionals, pro-
19 viders of health services, and of individuals (who shall con-
20 stitute a majority of the Council) who are representative
21 of consumers of such services, including a balanced rep-
22 resentation of employers, unions, consumer organizations,
23 and population groups with special health care needs.

24 (c) TERMS OF MEMBERS.—Each appointed member
25 shall hold office for a term of four years, except that—

1 (1) any member appointed to fill a vacancy oc-
2 curring during the term for which the member's
3 predecessor was appointed shall be appointed for the
4 remainder of that term; and

5 (2) the terms of the members first taking office
6 shall expire, as designated by the Board at the time
7 of appointment, five at the end of the first year, five
8 at the end of the second year, five at the end of the
9 third year, and five at the end of the fourth year
10 after the date of enactment of this Act.

11 (d) VACANCIES.—

12 (1) IN GENERAL.—The Board shall fill any va-
13 cancy in the membership of the Council in the same
14 manner as the original appointment. The vacancy
15 shall not affect the power of the remaining members
16 to execute the duties of the Council.

17 (2) VACANCY APPOINTMENTS.—Any member
18 appointed to fill a vacancy shall serve for the re-
19 mainder of the term for which the predecessor of the
20 member was appointed.

21 (3) REAPPOINTMENT.—The Board may re-
22 appoint an appointed member of the Council for a
23 second term in the same manner as the original
24 appointment.

25 (e) QUALIFICATIONS.—

1 (1) PUBLIC HEALTH REPRESENTATIVES.—

2 Members of the Council who are representative of
3 State health security programs and public health
4 professionals shall be individuals who have extensive
5 experience in the financing and delivery of care
6 under public health programs.

7 (2) PROVIDERS.—Members of the Council who
8 are representative of providers of health care shall
9 be individuals who are outstanding in fields related
10 to medical, hospital, or other health activities, or
11 who are representative of organizations or associa-
12 tions of professional health practitioners.

13 (3) CONSUMERS.—Members who are represent-
14 ative of consumers of such care shall be individuals,
15 not engaged in and having no financial interest in
16 the furnishing of health services, who are familiar
17 with the needs of various segments of the population
18 for personal health services and are experienced in
19 dealing with problems associated with the consump-
20 tion of such services.

21 (f) DUTIES.—

22 (1) IN GENERAL.—It shall be the duty of the
23 Council—

24 (A) to advise the Board on matters of gen-
25 eral policy in the administration of this Act, in

1 the formulation of regulations, and in the per-
2 formance of the Board's duties under section
3 401; and

4 (B) to study the operation of this Act and
5 the utilization of health services under it, with
6 a view to recommending any changes in the ad-
7 ministration of the Act or in its provisions
8 which may appear desirable.

9 (2) REPORT.—The Council shall make an an-
10 nual report to the Board on the performance of its
11 functions, including any recommendations it may
12 have with respect thereto, and the Board shall
13 promptly transmit the report to the Congress, to-
14 gether with a report by the Board on any rec-
15 ommendations of the Council that have not been fol-
16 lowed.

17 (g) STAFF.—The Council, its members, and any com-
18 mittees of the Council shall be provided with such sec-
19 retarial, clerical, or other assistance as may be authorized
20 by the Board for carrying out their respective functions.

21 (h) MEETINGS.—The Council shall meet as fre-
22 quently as the Board deems necessary, but not less than
23 four times each year. Upon request by seven or more mem-
24 bers it shall be the duty of the Chair to call a meeting
25 of the Council.

1 (i) COMPENSATION.—Members of the Council shall
 2 be reimbursed by the Board for travel and per diem in
 3 lieu of subsistence expenses during the performance of du-
 4 ties of the Board in accordance with subchapter I of chap-
 5 ter 57 of title 5, United States Code.

6 (j) FACA NOT APPLICABLE.—The provisions of the
 7 Federal Advisory Committee Act shall not apply to the
 8 Council.

9 **SEC. 403. PROFESSIONAL, TECHNICAL, AND TEMPORARY**
 10 **ADVISORY COMMITTEES.**

11 (a) IN GENERAL.—The Board shall appoint the
 12 standing advisory committees specified in subsections (b)
 13 through (g), and such other standing professional and
 14 technical committees in order to advise it in carrying out
 15 its duties under this Act.

16 (b) ADVISORY COMMITTEE ON BENEFITS.—

17 (1) IN GENERAL.—The Board shall appoint a
 18 standing Advisory Committee on Benefits to advise
 19 it with respect to the several classes of covered serv-
 20 ices under this Act.

21 (2) MEMBERSHIP.—The membership of the
 22 committee shall include individuals (in such number
 23 as the Board may determine) drawn from the health
 24 professions, from consumers of health services, from
 25 providers of health services (including non-medical

1 licensed and non-licensed providers), or from other
2 sources, whom the Board deems best qualified to ad-
3 vise it with respect to the professional and technical
4 aspects of the furnishing and utilization of, and the
5 evaluation of, a class of covered services designated
6 by the Board, and with respect to the relationship
7 of that class of services to other covered services. In
8 appointing such individuals, the Board shall assure
9 significant representation of consumers of health
10 services and providers of health services.

11 (c) ADVISORY COMMITTEE ON COST CONTAIN-
12 MENT.—

13 (1) IN GENERAL.—The Board shall appoint a
14 standing Advisory Committee on Cost Containment
15 to advise it with respect to the payments and cost
16 containment measures contained in title VI of this
17 Act.

18 (2) MEMBERSHIP.—The membership of the
19 committee shall include individuals (in such number
20 as the Board may determine) with national recogni-
21 tion for their expertise in health economics, health
22 care financing, provider reimbursement, and related
23 fields. In appointing individuals the Board shall as-
24 sure significant representation of consumers of
25 health services and providers of health services.

1 (d) ADVISORY COMMITTEE ON PRIMARY CARE AND
2 THE MEDICALLY UNDERSERVED.—

3 (1) IN GENERAL.—The Board shall appoint a
4 standing Advisory Committee on Primary Care and
5 the Medically Underserved to advise it with respect
6 to title VII of this Act, including with respect to the
7 delivery of services and the education and training
8 of health professionals, and to consider means of
9 increasing the supply and expanding the scope of
10 practice of mid-level professionals and the use of
11 community health outreach workers and other non-
12 professional health care workers.

13 (2) MEMBERSHIP.—The membership of the
14 committee shall include individuals (in such number
15 as the Board may determine) from the health pro-
16 fessions and health services with expertise in—

17 (A) primary care services;

18 (B) the education and training of primary
19 care practitioners;

20 (C) the special health needs of medically
21 underserved populations;

22 (D) the training, educational, and financial
23 incentives that would encourage health practi-
24 tioners to serve in medically underserved areas;

1 (E) the delivery of health services through
2 community-based and public facilities; and

3 (F) developing alternative models of deliv-
4 ering primary health services to medically un-
5 derserved populations.

6 In appointing such individuals, the Board shall as-
7 sure significant representation of consumers of
8 health services and providers of health services.

9 (e) ADVISORY COMMITTEE ON MENTAL HEALTH AND
10 SUBSTANCE ABUSE TREATMENT SERVICES.—

11 (1) IN GENERAL.—The Board shall appoint a
12 standing Advisory Committee on Mental Health and
13 Substance Abuse Treatment Services to advise it
14 with respect to the manner in which the benefits
15 under this Act for mental health services and sub-
16 stance abuse treatment services should be modified
17 to best meet the objectives of this Act.

18 (2) MEMBERSHIP.—The membership of the
19 committee shall include individuals (in such number
20 as the Board may determine) with expertise in
21 health care economics, who are representative of the
22 multi-disciplinary range of providers of such serv-
23 ices, who are consumers of such services, and who
24 represent advocacy groups representing consumers
25 of such services.

1 (3) RESPONSIBILITIES.—The committee shall—

2 (A) study changes in the utilization pat-
3 terns and costs which accompany the provision
4 of mental health services and substance abuse
5 treatment services;

6 (B) study and make recommendations on
7 any changes that may be advisable in the utili-
8 zation review thresholds specified in section
9 204(b)(2)(A);

10 (C) make recommendations on ways to cre-
11 ate a continuum of care and encourage the pro-
12 vision of care in the least restrictive appropriate
13 setting;

14 (D) develop a standard set of practices for
15 care coordination services, including—

16 (i) the range of care coordination
17 services that should be offered for a spe-
18 cific target population,

19 (ii) the organizational structure in
20 which care coordination services should be
21 based,

22 (iii) the minimum training require-
23 ments for care coordinators, and

24 (iv) the standards for the clinical ne-
25 cessity of care coordination services,

1 and study (and make recommendations con-
2 cerning) peer care coordination services; and

3 (E) report any initial recommendations to
4 the Board by January 1, 1995.

5 (4) ROLE OF SUBSTANCE ABUSE AND MENTAL
6 HEALTH SERVICES ADMINISTRATION.—The Board
7 shall consult with the Administrator of the Sub-
8 stance Abuse and Mental Health Services Adminis-
9 tration in the appointment of members to, and oper-
10 ation of, the committee.

11 (f) ADVISORY COMMITTEE ON PRESCRIPTION
12 DRUGS.—

13 (1) IN GENERAL.—The Board shall appoint a
14 standing Advisory Committee on Prescription Drugs
15 to advise it with respect to the classification of pre-
16 scription drugs and biologicals under section
17 616(a)(1) and other matters relating to the coverage
18 of prescription drugs under this Act.

19 (2) MEMBERSHIP.—

20 (A) IN GENERAL.—The membership of the
21 committee shall include individuals (in such
22 number as the Board may determine) with ex-
23 pertise in appropriate utilization of prescription
24 and nonprescription drug and biological thera-

1 pies and of the relative safety and efficacy of
2 prescription drugs and biologicals.

3 (B) AREAS OF EXPERTISE.—A majority of
4 the members of the committee shall be physi-
5 cians. Members of the committee shall include
6 at least a dentist, a nurse, and a pharmacist,
7 and individuals with special knowledge or exper-
8 tise in at least the following areas: geriatric, ob-
9 stetric, pediatric, psychiatric, and neurological
10 problems associated with drug therapies; clinical
11 pharmacology; pharmacoepidemiology; and
12 comparative clinical trials of drugs (including
13 statisticians and biopharmaceutic specialists).

14 (C) CONFLICT OF INTEREST PROHIBI-
15 TION.—No individual who is an employee of a
16 manufacturer of a drug or biological or who
17 otherwise has a material financial interest di-
18 rectly or indirectly with respect to such a manu-
19 facturer, or who has an immediate family mem-
20 ber (as defined by the Board) who is such an
21 employee or has such an interest, shall serve as
22 a member of the committee.

23 (3) RESPONSIBILITIES.—The committee shall—

24 (A) continuously review scientific and med-
25 ical information pertaining to the relative safety

1 and efficacy, and the comparability, of prescrip-
2 tion drugs and biologicals approved for market-
3 ing in the United States; and

4 (B) recommend drug use classifications
5 and identify, within such a classification, drugs
6 that are therapeutic alternates for a given indi-
7 cation and indications for which particular
8 drugs are superior based on safety and efficacy.

9 The committee is not authorized to engage in drug
10 price negotiations nor define acceptable costs for any
11 product.

12 (4) CONSUMER INPUT.—In conducting its ac-
13 tivities, the committee shall solicit advice and com-
14 ments from a panel of consumer advocates.

15 (g) ADVISORY COMMITTEE ON REHABILITATION AND
16 CHRONIC CARE MANAGEMENT.—

17 (1) IN GENERAL.—The Board shall appoint a
18 standing Advisory Committee on Rehabilitation and
19 Chronic Care Management to advise the Board on
20 ways to increase the effectiveness and efficiency of
21 rehabilitation and chronic care management in the
22 health care system.

23 (2) MEMBERSHIP.—The membership of the
24 committee shall include rehabilitation professionals,
25 consumers, and health policy professionals.

1 (h) TEMPORARY COMMITTEES.—The Board is au-
2 thorized to appoint such temporary professional and tech-
3 nical committees as it deems necessary to advise it on spe-
4 cial problems not encompassed in the assignments of
5 standing committees appointed under this section or to
6 supplement the advice of standing committees.

7 (i) REPORTING.—Committees appointed under this
8 section shall report from time to time (but not less often
9 than biannually) to the Board, and copies of their reports
10 shall be transmitted by the Board to the American Health
11 Security Advisory Council and be made readily available
12 to the public.

13 (j) COMPENSATION.—All members of the committees
14 established under this section shall be reimbursed by the
15 Board for travel and per diem in lieu of subsistence ex-
16 penses during the performance of duties of the Board in
17 accordance with subchapter I of chapter 57 of title 5,
18 United States Code.

19 (k) ADVICE FROM PROSPECTIVE PAYMENT ASSESS-
20 MENT COMMISSION, PRACTITIONER PAYMENT REVIEW
21 COMMISSION, ETC.—For provisions relating to role of cer-
22 tain commissions in reviewing payment rates, see section
23 620.

1 **SEC. 404. AMERICAN HEALTH SECURITY QUALITY COUNCIL.**

2 (a) ESTABLISHMENT.—There is hereby established
3 an American Health Security Quality Council.

4 (b) APPOINTMENT AND TERMS OF MEMBERS.—

5 (1) IN GENERAL.—The Council shall be com-
6 posed of 10 members appointed by the President.
7 The President shall first appoint individuals on a
8 timely basis so as to provide for the operation of the
9 Council by not later than January 1, 1994.

10 (2) SELECTION OF MEMBERS.—The majority of
11 members of the Council shall be members of a
12 health profession. No more than five members of the
13 Council shall be physicians. Physician members of
14 the Council shall be appointed to the Council on the
15 basis of national reputations for clinical and aca-
16 demic excellence. In appointing individuals, the
17 President shall assure significant representation of
18 consumers of health services.

19 (3) TERMS OF MEMBERS.—Individuals ap-
20 pointed to the Council shall serve for a term of 5
21 years, except that the terms of 4 of the individuals
22 initially appointed shall be, as designated by the
23 President at the time of their appointment, for 1, 2,
24 3, and 4 years.

25 (c) VACANCIES.—

1 (1) IN GENERAL.—The President shall fill any
2 vacancy in the membership of the Council in the
3 same manner as the original appointment. The va-
4 cancy shall not affect the power of the remaining
5 members to execute the duties of the Council.

6 (2) VACANCY APPOINTMENTS.—Any member
7 appointed to fill a vacancy shall serve for the re-
8 mainder of the term for which the predecessor of the
9 member was appointed.

10 (3) REAPPOINTMENT.—The President may re-
11 appoint a member of the Council for a second term
12 in the same manner as the original appointment. A
13 member who has served for two consecutive 5-year
14 terms shall not be eligible for reappointment until
15 two years after the member has ceased to serve.

16 (d) CHAIR.—The President shall designate one of the
17 members of the Council to serve at the will of the Presi-
18 dent as Chair of the Council.

19 (e) COMPENSATION.—Members of the Council who
20 are not employees of the Federal Government shall be en-
21 titled to compensation at a level equivalent to level III of
22 the Executive Schedule, in accordance with section 5313
23 of title 5, United States Code.

24 (f) GENERAL DUTIES OF THE COUNCIL.—The Coun-
25 cil is responsible for quality review activities under title

1 V. The Council shall report to the Board annually on the
2 conduct of activities under such title.

3 **SEC. 405. STATE HEALTH SECURITY PROGRAMS.**

4 (a) SUBMISSION OF PLANS.—

5 (1) IN GENERAL.—Each State shall submit to
6 the Board a plan for a State health security pro-
7 gram for providing for health care services to the
8 residents of the State in accordance with this Act.

9 (2) REGIONAL PROGRAMS.—A State may join
10 with one or more neighboring States to submit to
11 the Board a plan for a regional health security pro-
12 gram instead of separate State health security pro-
13 grams.

14 (3) REGIONAL PLANNING MECHANISMS.—The
15 Board shall provide incentives for States to develop
16 regional planning mechanisms to promote the ration-
17 al distribution of, adequate access to, and efficient
18 use of, tertiary care facilities, equipment, and
19 services.

20 (b) REVIEW AND APPROVAL OF PLANS.—

21 (1) IN GENERAL.—The Board shall review
22 plans submitted under subsection (a) and determine
23 whether such plans meet the requirements for ap-
24 proval. The Board shall not approve such a plan un-
25 less it finds that the plan (or State law) provides,

1 consistent with the provisions of this Act, for the
2 following:

3 (A) Payment for required health services
4 for eligible individuals in the State in accord-
5 ance with this Act.

6 (B) Establishment of a State Health Secu-
7 rity Advisory Council, in accordance with sub-
8 section (d).

9 (C) Adequate administration, including the
10 designation of a single State agency responsible
11 for the administration (or supervision of the
12 administration) of the program.

13 (D) The establishment of a State health
14 security budget and establishment of an ap-
15 proval process for capital expenditures.

16 (E) Establishment of payment methodolo-
17 gies (consistent with subtitle B of title VI).

18 (F) Assurances that individuals have the
19 freedom to choose practitioners and other
20 health care providers for services covered under
21 this Act.

22 (G) A procedure for carrying out long-term
23 regional management and planning functions,
24 including establishment of District Health Advi-
25 sory Councils in accordance with section 406,

1 with respect to the delivery and distribution of
2 health care services that—

3 (i) ensures participation of consumers
4 of health services and providers of health
5 services,

6 (ii) takes into account the rec-
7 ommendations of District Health Advisory
8 Councils under section 406, and

9 (iii) gives priority to the most acute
10 shortages and maldistributions of health
11 personnel and facilities and the most seri-
12 ous deficiencies in the delivery of covered
13 services and to the means for the speedy
14 alleviation of these shortcomings, and

15 (iv) encourages the integration of pre-
16 ventive public health and primary care
17 services, incorporating epidemiologic data
18 and community-based clinical results.

19 (H) The licensure and regulation of all
20 health providers and facilities to ensure compli-
21 ance with Federal and State laws and to pro-
22 mote quality of care.

23 (I) Establishment of a quality review sys-
24 tem in accordance with section 502.

1 (J) Establishment of an independent om-
2 budsman for consumers to register complaints
3 about the organization and administration of
4 the State health security program and to help
5 resolve complaints and disputes between con-
6 sumers and providers.

7 (K) Publication of an annual report on the
8 operation of the State health security program,
9 which report shall include information on cost,
10 progress towards achieving full enrollment, pub-
11 lic access to health services, quality improve-
12 ment, health outcomes, health professional
13 training, and the needs of medically under-
14 served populations.

15 (L) Provision of a fraud and abuse preven-
16 tion and control unit that the Inspector General
17 determines meets the requirements of section
18 413(a).

19 (M) Provision that—

20 (i) all claims or requests for payment
21 for services shall be accompanied by the
22 unique provider identifier assigned under
23 section 414(a) to the provider and the
24 unique patient identifier assigned to the in-
25 dividual under section 414(b);

1 (ii) no payment shall be made under
2 the program for the provision of health
3 care services by any provider unless the
4 provider has furnished the program with
5 the unique provider identifier assigned
6 under section 414(a);

7 (iii) the plan shall use the unique pa-
8 tient identifier assigned under section
9 414(b) to an individual as the identifier of
10 the individual in the processing of claims
11 and other purposes (as specified by the
12 Board); and

13 (iv) queries made under section
14 412(c)(2) shall be made using the unique
15 provider identifier specified under section
16 414(a).

17 (N) Prohibit payment in cases of prohib-
18 ited physician referrals under section 304.

19 (O) Effective January 1, 2000, provide for
20 use of a uniform electronic data base in accord-
21 ance with section 504(a).

22 (2) CONSEQUENCES OF FAILURE TO COMPLY.—

23 If the Board finds that a State plan submitted
24 under paragraph (1) does not meet the requirements
25 for approval under this section or that a State

1 health security program or specific portion of such
2 program, the plan for which was previously ap-
3 proved, no longer meets such requirements, the
4 Board shall provide notice to the State of such fail-
5 ure and that unless corrective action is taken within
6 a period specified by the Board, the Board shall
7 place the State health security program (or specific
8 portions of such program) in receivership under the
9 jurisdiction of the Board.

10 (c) STATE HEALTH SECURITY ADVISORY COUN-
11 CILS.—

12 (1) IN GENERAL.—For each State, the Gov-
13 ernor shall provide for appointment of a State
14 Health Security Advisory Council to advise and
15 make recommendations to the Governor and State
16 with respect to the implementation of the State
17 health security program in the State.

18 (2) MEMBERSHIP.—Each State Health Security
19 Advisory Council shall be composed of at least 11 in-
20 dividuals. The appointed members shall include indi-
21 viduals who are representative of the State health
22 security program, public health professionals, provid-
23 ers of health services, and of individuals (who shall
24 constitute a majority) who are representative of con-
25 sumers of such services, including a balanced rep-

1 resentation of employers, unions and consumer orga-
2 nizations.

3 (3) DUTIES.—

4 (A) IN GENERAL.—Each State Health Se-
5 curity Advisory Council shall review, and sub-
6 mit comments to the Governor concerning the
7 implementation of the State health security pro-
8 gram in the State.

9 (B) ASSISTANCE.—Each State Health Se-
10 curity Advisory Council shall provide assistance
11 and technical support to community organiza-
12 tions and public and private non-profit agencies
13 submitting applications for funding under ap-
14 propriate State and Federal public health pro-
15 grams, with particular emphasis placed on as-
16 sisting those applicants with broad consumer
17 representation.

18 (d) STATE USE OF FISCAL AGENTS.—

19 (1) IN GENERAL.—Each State health security
20 program, using competitive bidding procedures, may
21 enter into such contracts with qualified entities, such
22 as voluntary associations, as the State determines to
23 be appropriate to process claims and to perform
24 other related functions of fiscal agents under the
25 State health security program.

1 (2) RESTRICTION.—Except as the Board may
2 provide for good cause shown, in no case may more
3 than one contract described in paragraph (1) be
4 entered into under a State health security program.

5 **SEC. 406. DISTRICT HEALTH ADVISORY COUNCILS.**

6 (a) IN GENERAL.—Subject to subsection (d), each
7 State health security program shall establish district
8 health advisory councils covering distinct geographic areas
9 for the purposes of—

10 (1) advising and making recommendations to
11 the State with respect to implementation of the pro-
12 gram in the geographic area served by a council;

13 (2) receiving and investigating complaints by el-
14 igible persons and by providers of services concern-
15 ing the administration of the program and of taking
16 or recommending appropriate corrective action; and

17 (3) carrying out district management and plan-
18 ning functions with the State health security pro-
19 gram, including—

20 (A) assessing the health needs of the
21 district;

22 (B) assessing the quality, supply, and dis-
23 tribution of health resources, including acute
24 care hospitals, specialized inpatient facilities,
25 outpatient facilities, trained health care person-

1 nel, the availability of specialized medical equip-
2 ment, and home and community-based health
3 programs;

4 (C) assessing the need for services to medi-
5 cally underserved areas to achieve equitable ac-
6 cess to care;

7 (D) advising on restructuring the health
8 delivery system, including reductions in excess
9 capacity, shifting from institutional to ambula-
10 tory care, and other means of achieving effi-
11 ciencies;

12 (E) advising on funding for new and ex-
13 panded programs, including capital expendi-
14 tures;

15 (F) meeting at least biannually with rep-
16 resentatives of the State health security pro-
17 gram (i) to determine the goals and priorities
18 for meeting health care needs and (ii) to plan
19 for the efficient and effective use of health
20 resources within the district; and

21 (G) establishing a strategy to implement
22 such goals and priorities.

23 (b) MEMBERSHIP.—Each district health advisory
24 council shall be composed of individuals, appointed by the
25 Governor of the State, who include representatives of local

1 public health programs, public health professionals, pro-
2 viders of health services, and of persons (who shall con-
3 stitute a majority) who are representative of consumers
4 of such services, including a balanced representation of
5 employers, unions, and consumer organizations and popu-
6 lation groups with special health needs. The Governor
7 shall consult with the State Health Security Advisory
8 Council and local officials in the appointment of district
9 health advisory councils.

10 (c) GRANT ASSISTANCE.—Each district health advi-
11 sory council shall provide assistance and technical support
12 to community organizations and public and private non-
13 profit agencies submitting applications for funding under
14 appropriate State and Federal public health programs,
15 with particular emphasis placed on assisting those appli-
16 cants with broad consumer representation.

17 (d) USE OF STATE HEALTH SECURITY ADVISORY
18 COUNCIL.—

19 (1) IN GENERAL.—Subject to paragraph (2),
20 the Board may waive the requirement that a State
21 establish district health advisory councils if the State
22 demonstrates to the satisfaction of the Board that—

23 (A) the establishment of such councils in
24 the State is unnecessary because of the State's
25 size or population;

1 (B) the membership of the State Health
2 Security Advisory Council established under
3 section 405(d) is consistent with the require-
4 ments for membership of such a council under
5 subsection (b); and

6 (C) such Council will perform the functions
7 of a district health advisory council under sub-
8 sections (a) and (c).

9 (2) PERFORMANCE OF COUNCIL FUNCTIONS.—

10 If the Board waives requirements with respect to a
11 State under paragraph (1), the State Health Secu-
12 rity Advisory Council shall perform, with respect to
13 the entire State, the functions of a district health
14 advisory council under subsections (a) and (c).

15 **SEC. 407. COMPLEMENTARY CONDUCT OF RELATED**
16 **HEALTH PROGRAMS.**

17 In performing functions with respect to health per-
18 sonnel education and training, health research, environ-
19 mental health, disability insurance, vocational rehabilita-
20 tion, the regulation of food and drugs, and all other mat-
21 ters pertaining to health, the Secretary of Health and
22 Human Services shall direct all activities of the Depart-
23 ment of Health and Human Services toward contributions
24 to the health of the people complementary to this Act.

1 **Subtitle B—Control Over Fraud**
2 **and Abuse**

3 **SEC. 411. APPLICATION OF FEDERAL SANCTIONS TO ALL**
4 **FRAUD AND ABUSE UNDER AMERICAN**
5 **HEALTH SECURITY PROGRAM.**

6 The following sections of the Social Security Act shall
7 apply to State health security programs in the same man-
8 ner as they apply to State medical assistance plans under
9 title XIX of such Act (except that in applying such provi-
10 sions any reference to the Secretary is deemed a reference
11 to the Board):

12 (1) Section 1128 (relating to exclusion of indi-
13 viduals and entities).

14 (2) Section 1128A (civil monetary penalties).

15 (3) Section 1128B (criminal penalties).

16 (4) Section 1124 (relating to disclosure of own-
17 ership and related information).

18 (5) Section 1126 (relating to disclosure of cer-
19 tain owners).

20 **SEC. 412. NATIONAL HEALTH CARE FRAUD DATA BASE.**

21 (a) ESTABLISHMENT.—The American Health Secu-
22 rity Standards Board, through the Inspector General,
23 shall establish a national data base (in this section re-
24 ferred to as the “data base”) containing information relat-
25 ing to health care fraud and abuse.

1 (b) DATA INCLUDED.—

2 (1) IN GENERAL.—The data base shall include
3 such information as the Inspector General, in con-
4 sultation with the Board, shall specify, and shall in-
5 clude at least the information described in para-
6 graph (2).

7 (2) SPECIFIED INFORMATION.—The informa-
8 tion specified in this paragraph is, with respect to
9 providers of health care services, the identity of any
10 provider—

11 (A) that has been convicted of a crime for
12 which the provider may be excluded from par-
13 ticipation under a health program (as defined
14 in paragraph (3));

15 (B) whose license to provide health care
16 has been revoked or suspended (as described in
17 section 1128(b)(5) of the Social Security Act);

18 (C) that has been excluded or suspended
19 from a health program under section 1128 of
20 the Social Security Act or from any other
21 Federal or State health care program;

22 (D) with respect to whom a civil money
23 penalty has been imposed under this Act or the
24 Social Security Act; or

1 (E) that otherwise is subject to exclusion
2 from participation under a health program .

3 (3) HEALTH PROGRAM DEFINED.—In this sec-
4 tion, the term “health program” means a State
5 health security program and includes the medicare
6 program (under title XVIII of the Social Security
7 Act) and a State health care program (as defined in
8 section 1128(h) of such Act).

9 (c) REPORTING REQUIREMENT.—

10 (1) REPORTING.—Each State health security
11 program shall provide such information to the In-
12 spector General as the Inspector General may re-
13 quire in order to carry out fraud and abuse control
14 activities and for purposes of maintaining the data
15 base.

16 (2) QUERYING.—In accordance with rules es-
17 tablished by the Board (in consultation with the In-
18 spector General), each State health security program
19 shall query periodically (as specified by the Inspector
20 General)—

21 (A) the data base to determine if providers
22 of health services for which the program makes
23 payment are not disqualified from providing
24 such services, and

1 (B) the Secretary of Health and Human
2 Services, concerning information obtained by
3 the Secretary under part B of the Health Care
4 Quality Improvement Act of 1986 relating to
5 practitioners.

6 (3) COORDINATION WITH MALPRACTICE DATA
7 BASE.—The Secretary of Health and Human Serv-
8 ices shall provide for the coordination of the report-
9 ing and disclosure of information under this section
10 with information under part B of the Health Care
11 Quality Improvement Act of 1986.

12 (4) UNIFORM MANNER.—Information shall be
13 reported under this subsection in a uniform manner
14 (in accordance with standards of the Inspector Gen-
15 eral) that permits aggregation of reported informa-
16 tion.

17 (5) ACCESS FOR AUDIT.—Each State health se-
18 curity program shall provide the Inspector General
19 such access to information as may be required to
20 verify the information reported under this sub-
21 section.

22 (6) PENALTY FOR FALSE INFORMATION.—Any
23 person that submits false information required to be
24 provided under this subsection or that denies access
25 to information under paragraph (5) may be impris-

1 oned for not more than 5 years, or fined, or both,
 2 in accordance with title 18, United States Code.

3 (7) CONFIDENTIALITY.—The Board shall estab-
 4 lish rules that protect the confidentiality of the
 5 information in the data base.

6 **SEC. 413. REQUIREMENTS FOR OPERATION OF STATE**
 7 **HEALTH CARE FRAUD AND ABUSE CONTROL**
 8 **UNITS.**

9 (a) REQUIREMENT.—In order to meet the require-
 10 ment of section 405(b)(1)(L), each State health security
 11 program must establish and maintain a health care fraud
 12 and abuse control unit (in this section referred to as a
 13 “fraud unit”) that meets requirements of this section and
 14 other requirements of the Board. Such a unit may be a
 15 State medicaid fraud control unit (described in section
 16 1903(q) of the Social Security Act).

17 (b) STRUCTURE OF UNIT.—The fraud unit must—

18 (1) be a single identifiable entity of the State
 19 government;

20 (2) be separate and distinct from the State
 21 agency with principal responsibility for the adminis-
 22 tration of the State health security program; and

23 (3) meet 1 of the following requirements:

24 (A) It must be a unit of the office of the
 25 State Attorney General or of another depart-

1 ment of State government which possesses
2 statewide authority to prosecute individuals for
3 criminal violations.

4 (B) If it is in a State the constitution of
5 which does not provide for the criminal prosecu-
6 tion of individuals by a statewide authority and
7 has formal procedures, approved by the Board,
8 that (i) assure its referral of suspected criminal
9 violations relating to the State health insurance
10 plan to the appropriate authority or authorities
11 in the States for prosecution, and (ii) assure its
12 assistance of, and coordination with, such au-
13 thority or authorities in such prosecutions.

14 (C) It must have a formal working rela-
15 tionship with the office of the State Attorney
16 General and have formal procedures (including
17 procedures for its referral of suspected criminal
18 violations to such office) which are approved by
19 the Board and which provide effective coordina-
20 tion of activities between the fraud unit and
21 such office with respect to the detection, inves-
22 tigation, and prosecution of suspected criminal
23 violations relating to the State health insurance
24 plan.

25 (c) FUNCTIONS.—The fraud unit must—

1 (1) have the function of conducting a statewide
2 program for the investigation and prosecution of vio-
3 lations of all applicable State laws regarding any
4 and all aspects of fraud in connection with any as-
5 pect of the provision of health care services and ac-
6 tivities of providers of such services under the State
7 health security program;

8 (2) have procedures for reviewing complaints of
9 the abuse and neglect of patients of providers and
10 facilities that receive payments under the State
11 health security program, and, where appropriate, for
12 acting upon such complaints under the criminal laws
13 of the State or for referring them to other State
14 agencies for action; and

15 (3) provide for the collection, or referral for col-
16 lection to a single State agency, of overpayments
17 that are made under the State health security pro-
18 gram to providers and that are discovered by the
19 fraud unit in carrying out its activities.

20 (d) RESOURCES.—The fraud unit must—

21 (1) employ such auditors, attorneys, investiga-
22 tors, and other necessary personnel,

23 (2) be organized in such a manner, and

24 (3) provide sufficient resources (as specified by
25 the Board),

1 as is necessary to promote the effective and efficient con-
 2 duct of the unit's activities.

3 (e) COOPERATIVE AGREEMENTS.—The fraud unit
 4 must have cooperative agreements (as specified by the
 5 Board) with—

- 6 (1) similar fraud units in other States,
- 7 (2) the Inspector General, and
- 8 (3) the Attorney General of the United States.

9 (f) REPORTS.—The fraud unit must submit to the
 10 Inspector General an application and annual reports con-
 11 taining such information as the Inspector General deter-
 12 mines to be necessary to determine whether the unit meets
 13 the previous requirements of this section.

14 **SEC. 414. ASSIGNMENT OF UNIQUE PROVIDER AND PA-**
 15 **TIENT IDENTIFIERS.**

16 (a) PROVIDER IDENTIFIERS.—

17 (1) IN GENERAL.—The Board shall provide for
 18 the assignment, to each individual or entity provid-
 19 ing health care services under a State health secu-
 20 rity program, of a unique provider identifier.

21 (2) RESPONSE TO QUERIES.—Upon the request
 22 of a State health security program with respect to
 23 a provider, the Board shall provide the program with
 24 the unique provider identifier (if any) assigned to
 25 the provider under paragraph (1).

1 (b) PATIENT IDENTIFIERS.—The Board shall provide
 2 for the assignment, to each eligible individual, of a unique
 3 patient identifier. The identifier so assigned may be the
 4 Social Security account number of the individual.

5 (c) REQUIREMENT TO USE IDENTIFIERS.—Each
 6 State health security program is required under section
 7 405(b)(1)(M) to use the unique identifiers assigned under
 8 this section.

9 **TITLE V—QUALITY ASSESSMENT**

10 **SEC. 501. FUNCTIONS OF QUALITY COUNCIL; DEVELOP-** 11 **MENT OF PRACTICE GUIDELINES AND APPLI-** 12 **CATION TO OUTLIERS.**

13 (a) DEVELOPMENT OF PRACTICE GUIDELINES.—The
 14 American Health Security Quality Council (in this title
 15 referred to as the “Council”)—

16 (1) shall collect data from outcomes research
 17 (whether conducted by the Federal Government or
 18 other entities), and

19 (2) on the basis of such data and existing clini-
 20 cal knowledge, shall develop practice guidelines.

21 Such guidelines may vary based upon the area in which
 22 the services are provided and the degree of training, spe-
 23 cialization, or similar characteristics of providers.

24 (b) PROFILING OF PATTERNS OF PRACTICE; IDENTI-
 25 FICATION OF OUTLIERS.—The Council shall adopt meth-

1 odologies for profiling the patterns of practice of health
2 care professionals and for identifying outliers (as defined
3 in subsection (f)).

4 (c) CENTERS OF EXCELLENCE.—The Council shall
5 develop guidelines for certain medical procedures des-
6 ignated by the Board to be performed at tertiary care cen-
7 ters which can meet standards for frequency of procedure
8 performance and intensity of support mechanisms that are
9 consistent with the high probability of desired patient out-
10 come. The Board shall develop incentives to encourage
11 such procedures to be performed at centers that meet such
12 standards.

13 (d) REMEDIAL ACTIONS.—The Council shall develop
14 standards for education and sanctions with respect to
15 outliers so as to assure the quality of health care services
16 provided under this Act.

17 (e) DISSEMINATION.—The Council shall disseminate
18 to the State health security program—

19 (1) the guidelines developed under subsections

20 (a) and (c),

21 (2) the methodologies adopted under subsection

22 (b), and

23 (3) the standards developed under subsection

24 (d),

25 for use by the States under section 502.

1 (f) OUTLIER DEFINED.—In this title, the term
 2 “outlier” means a health care practitioner whose pattern
 3 of practice, relative to applicable practice guidelines, sug-
 4 gests deficiencies in the quality of health care services
 5 being provided.

6 **SEC. 502. STATE QUALITY REVIEW PROGRAMS.**

7 (a) REQUIREMENT.—In order to meet the require-
 8 ment of section 405(b)(1)(I), each State health security
 9 program shall establish one or more qualified entities to
 10 conduct quality reviews of persons providing covered serv-
 11 ices under the program, in accordance with standards es-
 12 tablished under subsection (b)(1) (except as provided in
 13 subsection (b)(2)) and subsection (d).

14 (b) FEDERAL STANDARDS.—

15 (1) IN GENERAL.—The Board shall establish
 16 standards with respect to—

17 (A) the adoption of practice guidelines (de-
 18 veloped under section 501(a)),

19 (B) the identification of outliers (consist-
 20 ent with methodologies adopted under section
 21 501(b)),

22 (C) the development of remedial programs
 23 and monitoring for outliers, and

1 (D) the application of sanctions (consistent
 2 with the standards developed under section
 3 501(d)).

4 (2) STATE DISCRETION.—A State may apply
 5 under subsection (a) standards other than those es-
 6 tablished under paragraph (1) so long as the State
 7 demonstrates to the satisfaction of the Council on an
 8 annual basis that the standards applied have been as
 9 efficacious in promoting and achieving quality of
 10 care as the application of the standards established
 11 under paragraph (1).

12 (c) QUALIFICATIONS.—An entity is not qualified to
 13 conduct quality reviews under subsection (a) unless the
 14 entity—

15 (1) is administratively independent of the indi-
 16 vidual or board that administers the State health se-
 17 curity program, and

18 (2) does not provide any financial incentive to
 19 reviewers to favor one pattern of practice over
 20 another.

21 **SEC. 503. CERTIFICATION; UTILIZATION REVIEW; PLANS OF**
 22 **CARE.**

23 (a) CERTIFICATIONS.—State health security pro-
 24 grams may require, as a condition of payment for institu-
 25 tional health care services and other services of the type

1 described in such sections 1814(a) and 1835(a) of the So-
 2 cial Security Act, periodic professional certifications of the
 3 kind described in such sections.

4 (b) REQUIREMENTS AND STANDARDS FOR UTILIZA-
 5 TION REVIEW.—

6 (1) USE OF UTILIZATION REVIEW PER-
 7 MITTED.—A State health security program may—

8 (A) establish a utilization review program
 9 (as defined in paragraph (4)), and

10 (B) deny coverage (and payment) for serv-
 11 ices to the extent the services are determined
 12 under such a utilization review program not to
 13 meet the coverage standards specified in section
 14 201(a),

15 but only if the program meets the standards estab-
 16 lished by the Board under paragraph (2).

17 (2) STANDARDS FOR UTILIZATION REVIEW PRO-
 18 GRAMS.—

19 (A) IN GENERAL.—The Board shall pro-
 20 vide, by regulation, for the establishment of
 21 Federal standards for utilization review pro-
 22 grams conducted by State health security pro-
 23 grams. Such standards shall be designed to as-
 24 sure the cost-effective and medically appro-

1 priate use of services consistent with coverage
2 standards specified in section 201(a).

3 (B) TYPES OF STANDARDS.—Such stand-
4 ards shall be established, consistent with sub-
5 paragraph (C), with respect to at least each of
6 the following aspects of utilization review pro-
7 grams:

8 (i) The qualification of those who may
9 perform utilization review activities.

10 (ii) The standards to be applied in
11 performing utilization review.

12 (iii) The timeliness in which utiliza-
13 tion review determinations (and appeals
14 with respect to such determinations) are to
15 be made.

16 (iv) An appeals (or alternative dispute
17 resolution) process which provides a fair
18 opportunity for individuals adversely af-
19 fected by a utilization review determination
20 (or their families or care coordinators) to
21 have such a determination reviewed.

22 (v) Protection for the confidentiality
23 of individually-identifiable information used
24 in the process, consistent with Federal and
25 State laws.

1 (C) STANDARDS.—The standards estab-
2 lished under this paragraph shall include the
3 following:

4 (i) The individuals making final deter-
5 minations (and determining appeals) con-
6 cerning the utilization of services provided
7 by members of a health profession shall be
8 members of the same profession (or in an
9 associated field, as determined by the
10 Board).

11 (ii) The utilization criteria to be ap-
12 plied shall be provided to patients, provid-
13 ers, and care coordinators upon request
14 and a written explanation of the basis for
15 any denial of payment based upon such a
16 review shall be provided to the patient,
17 provider, or care coordinator upon request.

18 (iii) Utilization review and appeals
19 shall be conducted promptly in order not to
20 disrupt a course of treatment and provid-
21 ers shall not deny necessary care while a
22 review or appeal is pending.

23 (iv) The system may not provide a
24 monetary incentive for those conducting

1 utilization review activities to deny or re-
2 duce payment for services.

3 (v) The medical personnel performing
4 reviews shall be accessible by telephone to
5 the providers whose services they review.

6 (D) USE OF GUIDELINES.—Such stand-
7 ards shall be consistent with the provisions of
8 section 204(d) (relating to application of na-
9 tional practice guidelines).

10 (3) NO REQUIREMENT FOR ROUTINE UTILIZA-
11 TION REVIEW.—Nothing in this title shall be con-
12 strued to require or authorize a State health security
13 program to provide for utilization review as a rou-
14 tine practice in all cases.

15 (4) UTILIZATION REVIEW PROGRAM.—In this
16 title, the term “utilization review program” means a
17 system of reviewing the medical necessity and appro-
18 priateness (including the appropriateness of the set-
19 ting) of patient services (which may include inpa-
20 tient and outpatient services) using specified guide-
21 lines. Such a system may include preadmission cer-
22 tification, the application of practice guidelines, the
23 profiling of practice patterns, continued stay review,
24 discharge planning, preauthorization of ambulatory
25 procedures, and retrospective review.

1 (c) PLAN OF CARE REQUIREMENTS.—A State health
2 security program may require, consistent with standards
3 established by the Board, that payment for services ex-
4 ceeding specified levels or duration be provided only as
5 consistent with a plan of care or treatment formulated by
6 one or more providers of the services or other qualified
7 professionals. Such a plan may include, consistent with
8 subsection (b), utilization review at specified intervals as
9 a further condition of payment for services.

10 **SEC. 504. DEVELOPMENT OF NATIONAL ELECTRONIC DATA**
11 **BASE.**

12 (a) USE BY STATES.—In order to meet the require-
13 ment of this section, for purposes of section 405(b)(1)(),
14 each State health security program shall develop and use
15 a uniform electronic data base which uses the software
16 designated under subsection (b) and which assures con-
17 fidentiality under subsection (c), for all patient records in
18 order to enable systematic quality review and outcomes
19 analysis. Subject to subsection (c), data in such data base
20 shall be made available, under rules established by the
21 Board, in order to facilitate the portability of patient
22 records and comparative outcomes research analysis.

23 (b) UNIFORM SOFTWARE.—The Board shall des-
24 ignate the characteristics of the software that shall be
25 used by States in the operation of their electronic data

1 bases, in order to ensure the portability of patient records
 2 and comparative outcomes research analysis. The Board
 3 shall not grant any waiver of the requirement of the
 4 previous sentence.

5 (c) CONFIDENTIALITY.—The Board shall establish
 6 standards that are designed to protect the privacy and
 7 otherwise shield the identity of the patients whose records
 8 are included in the data base. Under such standards, gov-
 9 ernment agencies shall not have access to information in
 10 the data base that will identify individual patients except
 11 in cases of quality review procedures which require that
 12 individual patients be informed of necessary changes in
 13 their treatment.

14 **TITLE VI—HEALTH SECURITY**
 15 **BUDGET; PAYMENTS; COST**
 16 **CONTAINMENT MEASURES**
 17 **Subtitle A—Budgeting and**
 18 **Payments to States**

19 **SEC. 601. AMERICAN HEALTH SECURITY BUDGET.**

20 (a) AMERICAN HEALTH SECURITY BUDGET.—

21 (1) IN GENERAL.—By not later than September
 22 1 before the beginning of each year (beginning with
 23 1995), the Board shall establish an American health
 24 security budget, which—

1 (A) specifies the total expenditures (includ-
 2 ing expenditures for administrative costs) to be
 3 made by the Federal Government and the
 4 States for covered health care services under
 5 this Act, and

6 (B) allocates those expenditures among the
 7 States consistent with section 604.

8 Pursuant to subsection (b), such budget for a year
 9 shall not exceed the budget for the preceding year
 10 increased by the percentage increase in gross domes-
 11 tic product.

12 (2) DIVISION OF BUDGET INTO COMPONENTS.—
 13 The American health security budget shall consist of
 14 4 components:

15 (A) A component for capital expenditures.

16 (B) A component for administrative costs.

17 (C) A component (in this title referred to
 18 as the “operating component”) for operating
 19 and other expenditures not described in sub-
 20 paragraphs (A) through (C) consisting of
 21 amounts not included in the other components.

22 (3) ALLOCATION AMONG COMPONENTS.—Tak-
 23 ing into account the State health security budgets
 24 established and submitted under section 603, the
 25 Board shall allocate the American health security

1 budget among the components in a manner that
2 assures that the capital expenditure component is
3 sufficient to meet the need for covered health care
4 services (consistent with the national health security
5 spending growth limit); and

6 (b) BASIS FOR TOTAL EXPENDITURES.—

7 (1) IN GENERAL.—The total expenditures speci-
8 fied in such budget shall be the sum of the capita-
9 tion amounts computed under section 602(a) and
10 the amount of Federal administrative expenditures
11 needed to carry out this Act.

12 (2) NATIONAL HEALTH SECURITY SPENDING
13 GROWTH LIMIT.—For purposes of this subtitle, the
14 national health security spending growth limit de-
15 scribed in this paragraph for a year is zero, or, if
16 greater, the percentage increase in the gross domes-
17 tic product (in current dollars) from the first quar-
18 ter of the second previous year to the first quarter
19 of the previous year.

20 (c) DEFINITION.—In this title the term “capital ex-
21 penditures” means expenses for the purchase, lease, con-
22 struction, or renovation of capital facilities and for equip-
23 ment and includes return on equity capital.

1 **SEC. 602. COMPUTATION OF INDIVIDUAL AND STATE CAPI-**
2 **TATION AMOUNTS.**

3 (a) CAPITATION AMOUNTS.—

4 (1) INDIVIDUAL CAPITATION AMOUNTS.—In es-
5 tablishing the American health security budget
6 under section 601(a) and in computing the national
7 average per capita cost under subsection (b) for each
8 year, the Board shall establish a method for comput-
9 ing the capitation amount for each eligible individual
10 residing in each State. The capitation amount for an
11 eligible individual in a State classified within a risk
12 group (established under subsection (d)(2)) is the
13 product of—

14 (A) a national average per capita cost for
15 all covered health care services (computed
16 under subsection (b)),

17 (B) the State adjustment factor (estab-
18 lished under subsection (c)) for the State, and

19 (C) the risk adjustment factor (established
20 under subsection (d)) for the risk group.

21 (2) STATE CAPITATION AMOUNT.—

22 (A) IN GENERAL.—For purposes of this
23 title, the term “State capitation amount”
24 means, for a State for a year, the sum of the
25 capitation amounts computed under paragraph
26 (1) for all the residents of the State in the year,

1 as estimated by the Board before the beginning
2 of the year involved.

3 (B) USE OF STATISTICAL MODEL.—The
4 Board may provide for the computation of
5 State capitation amounts based on statistical
6 models that fairly reflect the elements that com-
7 prise the State capitation amount described in
8 subparagraph (A).

9 (C) POPULATION INFORMATION.—The Bu-
10 reau of the Census shall assist the Board in de-
11 termining the number, place of residence, and
12 risk group classification of eligible individuals.

13 (b) COMPUTATION OF NATIONAL AVERAGE PER CAP-
14 ITA COST.—

15 (1) FOR 1995.—For 1995, the national average
16 per capita cost under this paragraph is equal to—

17 (A) the average per capita health care ex-
18 penditures in the United States in 1993 (as es-
19 timated by the Board),

20 (B) increased to 1994 by the Board's esti-
21 mate of the actual amount of such per capita
22 expenditures during 1994, and

23 (C) updated to 1995 by the national health
24 security spending growth limit specified in sec-
25 tion 601(b)(2) for 1995.

1 (2) FOR SUCCEEDING YEARS.—For each suc-
2 ceeding year, the national average per capita cost
3 under this subsection is equal to the national aver-
4 age per capita cost computed under this subsection
5 for the previous year increased by the national
6 health security spending growth limit (specified in
7 section 601(b)(2)) for the year involved.

8 (c) STATE ADJUSTMENT FACTORS.—

9 (1) IN GENERAL.—Subject to the succeeding
10 paragraphs of this subsection, the Board shall de-
11 velop for each State a factor to adjust the national
12 average per capita costs to reflect differences be-
13 tween the State and the United States in—

14 (A) average labor and nonlabor costs that
15 are necessary to provide covered health services;

16 (B) any social, environmental, or geo-
17 graphic condition affecting health status or the
18 need for health care services, to the extent such
19 a condition is not taken into account in the es-
20 tablishment of risk groups under subsection (d);

21 (C) the geographic distribution of the
22 State's population, particularly the proportion
23 of the population residing in medically under-
24 served areas, to the extent such a condition is

1 not taken into account in the establishment of
2 risk groups under subsection (d); and

3 (D) any other factor relating to operating
4 costs required to assure equitable distribution
5 of funds among the States.

6 (2) MODIFICATION OF CAPITAL EXPENDITURE
7 COMPONENT.—With respect to the portion of the na-
8 tional budget allocated to capital expenditures, the
9 Board shall modify the State adjustment factors so
10 as to take into account differences among States in
11 their relative need for capital expenditures among
12 the States and the availability of tertiary care cen-
13 ters and centers of excellence in neighboring States,
14 taking into account the capital expenditures pro-
15 posed in State health security budgets under section
16 603(a).

17 (3) BUDGET NEUTRALITY.—The State adjust-
18 ment factors, as modified under paragraph (2), shall
19 be applied under this subsection in a manner that
20 results in neither an increase nor a decrease in the
21 total amount of the Federal contributions to all
22 State health security programs under subsection (b)
23 as a result of the application of such factors.

24 (4) PHASE-IN.—In applying State adjustment
25 factors under this subsection during the five-year pe-

1 riod beginning with 1995, the Board shall phase-in,
2 over such period, the use of factors described in
3 paragraph (1) in a manner so that the adjustment
4 factor for a State is based on a blend of such factors
5 and a factor that reflects the relative actual average
6 per capita costs of health services of the different
7 States as of the time of enactment of this Act.

8 (5) PERIODIC ADJUSTMENT.—In establishing
9 the national health security budget before the begin-
10 ning of each year, the Board shall provide for appro-
11 priate adjustments in the State adjustment factors
12 under this subsection.

13 (d) ADJUSTMENTS FOR RISK GROUP CLASSIFICA-
14 TION.—

15 (1) IN GENERAL.—The Board shall develop an
16 adjustment factor to the national average per capita
17 costs computed under subsection (b) for individuals
18 classified in each risk group (as designated under
19 paragraph (2)) to reflect the difference between the
20 average national average per capita costs and the
21 national average per capita cost for individuals clas-
22 sified in the risk group.

23 (2) RISK GROUPS.—The Board shall designate
24 a series of risk groups, determined by age, health in-

1 dicators, and other factors that represent distinct
2 patterns of health care services utilization and costs.

3 (3) PERIODIC ADJUSTMENT.—In establishing
4 the national health security budget before the begin-
5 ning of each year, the Board shall provide for appro-
6 priate adjustments in the risk adjustment factors
7 under this subsection.

8 **SEC. 603. STATE HEALTH SECURITY BUDGETS.**

9 (a) ESTABLISHMENT AND SUBMISSION OF BUDG-
10 ETS.—

11 (1) IN GENERAL.—Each State health security
12 program shall establish and submit to the Board for
13 each year a proposed and a final State health secu-
14 rity budget, which specifies the following:

15 (A) The total expenditures (including ex-
16 penditures for administrative costs) to be made
17 under the program in the State for covered
18 health care services under this Act, consistent
19 with subsection (b), broken down as follows:

20 (i) By the 3 components (described in
21 section 601(a)(2)), consistent with sub-
22 section (b).

23 (ii) Within the operating component—
24 (I) expenditures for operating
25 costs of hospitals, nursing facilities,

1 and other facility-based services in the
2 State,

3 (II) expenditures for payment to
4 comprehensive health service organiza-
5 tions,

6 (III) expenditures for payment of
7 services provided by health care prac-
8 titioners, and

9 (IV) expenditures for other cov-
10 ered items and services.

11 (B) The total revenues required to meet
12 the State health security expenditures.

13 (2) PROPOSED BUDGET DEADLINE.—The pro-
14 posed budget for a year shall be submitted under
15 paragraph (1) not later than June 1 before the year.

16 (3) FINAL BUDGET.—The final budget for a
17 year shall—

18 (A) be established and submitted under
19 paragraph (1) not later than October 1 before
20 the year, and

21 (B) take into account the amounts estab-
22 lished under the national health security budget
23 under section 601 for the year.

24 (4) ADJUSTMENT IN ALLOCATIONS PER-
25 MITTED.—

1 (A) IN GENERAL.—Subject to subpara-
2 graphs (B) and (C), in the case of a final budg-
3 et, a State may change the allocation of
4 amounts among components.

5 (B) NOTICE.—No such change may be
6 made unless the State has provided prior notice
7 of the change to the Board.

8 (C) DENIAL.—Such a change may not be
9 made if the Board, within such time period as
10 the Board specifies, disapproves such change.

11 (b) EXPENDITURE LIMITS.—

12 (1) IN GENERAL.—The total expenditures speci-
13 fied in each State health security budget under sub-
14 section (a)(1) shall take into account Federal con-
15 tributions made under section 604.

16 (2) LIMIT ON CLAIMS PROCESSING AND BILL-
17 ING EXPENDITURES.—Each State health security
18 budget shall provide that State administrative ex-
19 penditures, including expenditures for claims proc-
20 essing and billing, shall not exceed 3 percent of the
21 total expenditures under the State health security
22 program, unless the Board determines, on a case-by-
23 case basis, that additional administrative expendi-
24 tures would improve health care quality and cost
25 effectiveness.

1 (3) WORKER ASSISTANCE.—A State health se-
2 curity program may provide that, for budgets for
3 years before 2000, up to 1 percent of the budget
4 may be used for purposes of programs providing as-
5 sistance to workers who are currently performing
6 functions in the administration of the health insur-
7 ance system and who may experience economic dis-
8 location as a result of the implementation of the pro-
9 gram.

10 **SEC. 604. FEDERAL PAYMENTS TO STATES.**

11 (a) IN GENERAL.—Each State with an approved
12 State health security program is entitled to receive, from
13 amounts in the American Health Security Trust Fund, on
14 a monthly basis each year, of an amount equal to one-
15 twelfth of the product of—

16 (1) the State capitation amount (computed
17 under section 602(a)(2)) for the State for the year,
18 and

19 (2) the Federal contribution percentage (estab-
20 lished under subsection (b)).

21 (b) FEDERAL CONTRIBUTION PERCENTAGE.—The
22 Board shall establish a formula for the establishment of
23 a Federal contribution percentage for each State. Such
24 formula shall take into consideration a State's per capita
25 income and revenue capacity and such other relevant eco-

1 nomic indicators as the Board determines to be appro-
 2 priate. In addition, during the 5-year period beginning
 3 with 1995, the Board may provide for a transition adjust-
 4 ment to the formula in order to take into account current
 5 expenditures by the State (and local governments thereof)
 6 for health services covered under the State health security
 7 program. The weighted-average Federal contribution per-
 8 centage for all States shall equal 86 percent and in no
 9 event shall such percentage be less than 81 percent nor
 10 more than 91 percent.

11 (c) USE OF PAYMENTS.—All payments made under
 12 this section may only be used to carry out the State health
 13 security program.

14 (d) EFFECT OF SPENDING EXCESS OR SURPLUS.—

15 (1) SPENDING EXCESS.—If a State exceeds its
 16 budget in a given year, the State shall continue to
 17 fund covered health services from its own revenues.

18 (2) SURPLUS.—If a State provides all covered
 19 health services for less than the budgeted amount
 20 for a year, it may retain its Federal payment for
 21 that year for uses consistent with this Act.

22 **SEC. 605. REQUIRED APPROVAL PROCESS FOR CAPITAL EX-**
 23 **PENDITURES.**

24 (a) PROCESS.—

1 (1) IN GENERAL.—Consistent with standards
2 established under subsection (b), each State health
3 security program shall provide for a process for the
4 approval of capital expenditures (as defined in sub-
5 section (c)) in order—

6 (A) to meet the need for covered health
7 care services consistent with State budgets and
8 the development of medical technology,

9 (B) to establish an efficient balance be-
10 tween the need for services and the delivery of
11 services, and

12 (C) to expand the delivery of services in
13 medically underserved areas.

14 (2) CONDITIONS FOR APPROVAL.—No expendi-
15 tures (including operating costs, rent, depreciation,
16 and interest) may be approved by a State health se-
17 curity program to the extent they are attributable to
18 a capital expenditure which was subject to, but was
19 not approved under, such process.

20 (b) STANDARDS FOR CAPITAL APPROVAL PROC-
21 ESS.—

22 (1) IN GENERAL.—The Board shall specify
23 standards for the process, to be implemented under
24 each State health security program, for the approval
25 of capital expenditures.

1 (2) REQUIREMENTS.—Under such standards,
2 such process—

3 (A) if there is a limit on capital expendi-
4 tures, shall assure that such expenditures are
5 distributed geographically within a State taking
6 into account at least the factors described in
7 paragraph (3);

8 (B) shall assure that health care providers
9 and consumers are provided reasonable oppor-
10 tunities for involvement in the process;

11 (C) may provide for such special consider-
12 ation as the Board specifies in the case of insti-
13 tutions of national repute or other institutions
14 disproportionately serving interstate popu-
15 lations;

16 (D) may provide for the special consider-
17 ation of religious and charitable organizations
18 that have raised voluntary contributions for
19 such capital expenditures;

20 (E) may provide for such priorities for
21 comprehensive health service organizations as
22 the Board specifies; and

23 (F) may provide for limits on the distribu-
24 tion among different types of facilities or cap-
25 ital projects as the Board may find necessary in

1 order to prevent significant maldistributions
2 while retaining the maximum flexibility of
3 States to provide for covered health services in
4 each State.

5 (3) FACTORS.—The factors to be taken into ac-
6 count under this paragraph in the distribution of
7 capital expenditures are as follows:

8 (A) The population of the different geo-
9 graphic areas within the State, its dispersion,
10 and the risk characteristics (measured by health
11 indicators), based on the risk factors described
12 in section 603(d).

13 (B) The capital needs of the different geo-
14 graphic areas of the State in order to ensure
15 adequate access to general and specialty serv-
16 ices and technologies and to ensure medical
17 effectiveness.

18 (C) The need to correct for historical mal-
19 distribution in the allocation of health care cap-
20 ital that preceded the enactment of this Act.

21 (c) CAPITAL EXPENDITURES DEFINED.—

22 (1) IN GENERAL.—In this Act, the term “cap-
23 ital expenditures” means expenses for the purchase,
24 lease, construction, or renovation of capital facilities
25 and for equipment valued at at least an amount

1 (specified by the Board) or of a kind specified by the
2 Board.

3 (2) INCLUSION OF ADDITIONAL EXPENDI-
4 TURES.—A State health security program may re-
5 quire approval of capital expenditures not described
6 in paragraph (1).

7 **Subtitle B—Payments by States to** 8 **Providers**

9 **SEC. 611. PAYMENTS TO HOSPITALS AND NURSING FACIL-**
10 **ITY SERVICES FOR OPERATING EXPENSES ON**
11 **THE BASIS OF APPROVED GLOBAL BUDGETS.**

12 (a) DIRECT PAYMENT UNDER GLOBAL BUDGET.—
13 Payment for operating expenses for hospital services and
14 nursing facility services under State health security pro-
15 grams shall be made directly to each hospital or nursing
16 facility by each State health security program under an
17 annual prospective global budget approved under the pro-
18 gram. Such a budget shall include payment for outpatient
19 care and non-facility-based care that is furnished by or
20 through the facility. In the case of a hospital that is wholly
21 owned (or controlled) by a comprehensive health service
22 organization that is paid under section 614 on the basis
23 of a global budget, the global budget of the organization
24 shall include the budget for the hospital.

25 (b) ANNUAL NEGOTIATIONS; BUDGET APPROVAL.—

1 (1) IN GENERAL.—The prospective global budg-
2 et for a hospital or nursing facility shall be devel-
3 oped through annual negotiations between the State
4 health security program and the hospital or nursing
5 facility and be based on a nationally uniform system
6 of cost accounting established under standards of
7 the Board.

8 (2) CONSIDERATIONS.—In developing a budget
9 through negotiations, there shall be taken into ac-
10 count at least the following:

11 (A) With respect to inpatient hospital
12 services, the number, and classification by
13 diagnosis-related group, of discharges.

14 (B) A hospital's or nursing facility's past
15 expenditures.

16 (C) Change in the consumer price index
17 and other price indices.

18 (D) The cost of reasonable compensation
19 to health care practitioners.

20 (E) The compensation level of the hos-
21 pital's or nursing facility's workforce.

22 (F) The extent to which the hospital or
23 nursing facility is providing health care services
24 to meet the needs of residents in the area
25 served by the hospital or nursing facility, in-

1 including the hospital's or nursing facility's occu-
2 pancy level.

3 (G) The hospital's or nursing facility's pre-
4 vious financial and clinical performance, based
5 on utilization and outcomes data provided
6 under this Act.

7 (H) The type of hospital or nursing facil-
8 ity, including whether the hospital or nursing
9 facility is part of a clinical education program
10 or serves a health professional education, re-
11 search or other training purpose.

12 (I) Technological advances or changes.

13 (J) Costs of the hospital or nursing facility
14 associated with meeting Federal and State reg-
15 ulations.

16 (K) The costs associated with necessary
17 public outreach activities.

18 (L) In the case of a for-profit hospital or
19 nursing facility, a reasonable rate of return on
20 equity capital, independent of those operating
21 expenses necessary to fulfill the objectives of
22 this Act, reduced (consistent with subparagraph
23 (M)) by any operating profit.

1 (M) Incentives to facilities that maintain
2 costs below previous reasonable budgeted levels
3 without reducing the care provided.

4 (N) With respect to hospitals or nursing
5 facilities that provide mental health services
6 and substance abuse treatment services, any ad-
7 ditional costs involved in the treatment of du-
8 ally diagnosed individuals.

9 (3) APPROVAL REQUIRED OF CAPITAL EXPEND-
10 ITURES.—No expenditures may be approved as part
11 of a budget of a hospital or nursing facility under
12 this section to the extent they are attributable to an
13 expenditure for a capital expenditure that was sub-
14 ject to, but was not approved under, the process
15 described in section 605.

16 (4) REVIEW BY ADVISORY COUNCILS.—A State
17 shall not approve a budget of a hospital or nursing
18 facility unless, prior to such approval, the State
19 Health Security Advisory Council and the appro-
20 priate district health advisory council have had an
21 opportunity to review and submit any comments
22 concerning the budget.

23 (5) PROVISION OF REQUIRED INFORMATION; DI-
24 AGNOSIS-RELATED GROUP.—No budget for a hos-
25 pital or nursing facility for a year may be approved

1 unless the hospital or nursing facility has submitted
2 on a timely basis to the State health security pro-
3 gram such information as the program or the Board
4 shall specify, including in the case of hospitals infor-
5 mation on discharges classified by diagnosis-related
6 group.

7 (c) ADJUSTMENTS IN APPROVED BUDGETS.—

8 (1) ADJUSTMENTS TO GLOBAL BUDGETS THAT
9 CONTRACT WITH COMPREHENSIVE HEALTH SERVICE
10 ORGANIZATIONS.—Each State health security pro-
11 gram shall develop an administrative mechanism for
12 reducing operating funds to hospitals or nursing fa-
13 cilities in proportion to payments made to such hos-
14 pitals or nursing facilities for services contracted for
15 by a comprehensive health service organization.

16 (2) AMENDMENTS.—In accordance with stand-
17 ards established by the Board, an operating and
18 capital budget approved under this section for a year
19 may be amended before, during, or after the year if
20 there is a substantial change in any of the factors
21 relevant to budget approval.

22 (d) DONATIONS PERMISSIBLE.—The Board shall
23 promulgate regulations permitting hospitals and nursing
24 facilities to raise funds from private sources to pay for
25 newly constructed facilities, major renovations, and equip-

1 ment. The expenditure of such funds, whether for operat-
 2 ing or capital expenditures, does not obligate the State
 3 health security program to provide for continued support
 4 for such expenditures unless included in an approved glob-
 5 al budget and, in the case of capital expenditures, unless
 6 approved under the process described in section 605.

7 **SEC. 612. PAYMENTS FOR OTHER FACILITY-BASED SERV-**
 8 **ICES.**

9 (a) IN GENERAL.—Payments under a State health
 10 security program for home health services, hospice care,
 11 home and community-based long-term care services, and
 12 facility-based outpatient services (other than those de-
 13 scribed in section 611) shall be based on—

- 14 (1) a global budget (described in section 611),
- 15 (2) a capitation amount (described in sub-
- 16 section (c)),
- 17 (3) a fee schedule under section 613, or
- 18 (4) an alternative prospective payment method
- 19 that is approved by the State health security pro-
- 20 gram.

21 Such payments shall not include payments for capital
 22 expenditures, except as provided in subsection (b).

23 (b) CONSIDERATION IN ESTABLISHMENT OF CAPITA-
 24 TION AMOUNTS.—A capitation amount, fee schedule, or

1 alternative prospective payment method established under
2 subsection (a) for facility-based services shall—

3 (1) take into account the payment amounts es-
4 tablished under section 613 for any related profes-
5 sional services, and

6 (2) be consistent with section 605(a)(2).

7 (c) CAPITATION AMOUNT.—

8 (1) IN GENERAL.—The capitation amount de-
9 scribed in this subsection for an enrollee with a pro-
10 vider of services described in subsection (a), with re-
11 spect to such services, shall be determined by the
12 State health security program on the basis of the av-
13 erage amount of expenditures that is estimated
14 would be made under the State health security pro-
15 gram for such an enrollee, based on actuarial char-
16 acteristics (as defined by the State health security
17 program).

18 (2) ADJUSTMENT FOR SPECIAL HEALTH
19 NEEDS.—The State health security program shall
20 adjust such average amounts to take into account
21 the special health needs, including a disproportionate
22 number of medically underserved individuals, of pop-
23 ulations served by the provider.

24 (3) ADJUSTMENT FOR SERVICES NOT PRO-
25 VIDED.—The State health security program shall ad-

1 just such average amounts to take into account the
2 cost of services covered by such enrollment that are
3 not provided by the provider.

4 **SEC. 613. PAYMENTS TO HEALTH CARE PRACTITIONERS**
5 **BASED ON PROSPECTIVE FEE SCHEDULE.**

6 (a) FEE FOR SERVICE.—

7 (1) IN GENERAL.—Every independent health
8 care practitioner is entitled to be paid, for the provi-
9 sion of covered health services under the State
10 health security program, a fee for each billable
11 covered service.

12 (2) GLOBAL FEE PAYMENT METHODOLOGIES.—
13 The Board shall establish models and encourage
14 State health security programs to implement alter-
15 native payment methodologies that incorporate glob-
16 al fees for related services (such as all outpatient
17 procedures for treatment of a condition) or for a
18 basic group of services (such as primary care serv-
19 ices) furnished to an individual over a period of
20 time, in order to encourage continuity and efficiency
21 in the provision of services. Such methodologies shall
22 be designed to ensure a high quality of care.

23 (3) BILLING DEADLINES; ELECTRONIC BILL-
24 ING.—A State health security program may deny
25 payment for any service of an independent health

1 care practitioner for which it did not receive a bill
2 and appropriate supporting documentation (which
3 had been previously specified) within 30 days after
4 the date the service was provided. Such a program
5 may require that bills for services for which payment
6 may be made under this section, or for any class of
7 such services, be submitted electronically.

8 (4) DENIAL OF PAYMENT FOR CERTAIN SERV-
9 ICES.—Payment shall not be made under a State
10 health security program for any service attributable
11 to a capital expenditure subject to approval under
12 section 605 which has not been approved under that
13 section. A practitioner may not impose a charge for
14 a service for which payment is denied under the
15 previous sentence.

16 (b) PAYMENT RATES BASED ON PROSPECTIVE FEE
17 SCHEDULES.—

18 (1) IN GENERAL.—With respect to any payment
19 method for a class of services of practitioners, the
20 State health security program shall establish, on a
21 prospective basis, a payment schedule. The State
22 health security program shall establish such a sched-
23 ule only after negotiations with organizations rep-
24 resenting the practitioners involved. Such a fee
25 schedule shall be designed to provide incentives for

1 practitioners to choose primary care medicine, in-
2 cluding general internal medicine and pediatrics,
3 over medical specialization.

4 (2) FEE FOR SERVICE SCHEDULES BASED ON
5 NATIONAL RELATIVE VALUE SCALE.—The amount
6 under the fee schedule shall—

7 (A) be based on a relative value scale, de-
8 veloped by the State consistent with the stand-
9 ards established under section 1848 of the So-
10 cial Security Act, as in effect on the day before
11 the date of the enactment of this Act, including
12 such updates and modifications as the Board
13 may undertake;

14 (B) be based on conversion factors estab-
15 lished by each State consistent with the State
16 health security budget;

17 (C) provide for the application of volume
18 performance standards, in accordance with
19 standards established by the Board, based on
20 class of service (specified under paragraph (3))
21 and geographic area (as specified under the
22 State health security program); and

23 (D) provide, based on such class and area,
24 for quarterly adjustments in present or future
25 payment rates depending on whether expendi-

1 tures are below or above such performance
2 standards.

3 In applying volume performance standards under
4 subparagraphs (C) and (D), State health security
5 programs may provide for adjustment of rates on a
6 practitioner-specific basis to reflect utilization pat-
7 terns of individual practitioners and may publicly
8 disclose such utilization patterns for individual prac-
9 titioners (but only in a manner that does not iden-
10 tify individual patients).

11 (3) CLASS OF SERVICES.—In paragraph (2),
12 each of the following shall be considered to be a
13 separate class of services:

14 (A) Mental health services.

15 (B) Substance abuse treatment services.

16 (C) Dental services.

17 (D) Home and community-based long-term
18 care services.

19 (E) Other practitioner services (or such
20 classes of such services as a State may estab-
21 lish).

22 (c) BILLABLE COVERED SERVICE DEFINED.—In this
23 section, the term “billable covered service” means a service
24 covered under section 201 for which a practitioner is enti-

1 tled to compensation by payment of a fee determined
2 under this section.

3 **SEC. 614. PAYMENTS TO COMPREHENSIVE HEALTH SERV-**
4 **ICE ORGANIZATIONS.**

5 (a) IN GENERAL.—Payment under a State health se-
6 curity program to a comprehensive health service organi-
7 zation to its enrollees shall be determined by the State—

8 (1) based on a global budget described in
9 section 611, or

10 (2) subject to subsection (c), based on the basic
11 capitation amount described in subsection (b) for
12 each of its enrollees plus an amount equal to the
13 amount of capital expenditures that have been
14 approved under section 605.

15 In applying paragraph (1), any reference in section 611
16 to a hospital shall be deemed a reference to a comprehen-
17 sive health service organization.

18 (b) BASIC CAPITATION AMOUNT.—

19 (1) IN GENERAL.—The basic capitation amount
20 described in this subsection for an enrollee shall be
21 determined by the State health security program on
22 the basis of the average amount of expenditures (not
23 including expenditures attributable to capital ex-
24 penditures) that is estimated would be made under
25 the State health security program for covered health

1 care services for an enrollee, based on actuarial
2 characteristics (as defined by the State health secu-
3 rity program).

4 (2) ADJUSTMENT FOR SPECIAL HEALTH
5 NEEDS.—The State health security program shall
6 adjust such average amounts to take into account
7 the special health needs, including a disproportionate
8 number of medically underserved individuals, of pop-
9 ulations served by the organization.

10 (3) ADJUSTMENT FOR SERVICES NOT PRO-
11 VIDED.—The State health security program shall ad-
12 just such average amounts to take into account the
13 cost of covered health care services that are not pro-
14 vided by the comprehensive health service organiza-
15 tion under section 303(a).

16 (c) SPECIAL RULE FOR FOR-PROFIT ORGANIZA-
17 TIONS.—In the case of a for-profit comprehensive health
18 service organization, the total amount of capitation pay-
19 ments under subsection (a)(2) in a period shall be reduced
20 by operating profit for the period less a reasonable rate
21 of return on equity capital and such profit shall be addi-
22 tionally limited to such amounts as the Board determines
23 are attributable to operating efficiencies and not to any
24 reduction of care provided.

1 **SEC. 615. PAYMENTS FOR COMMUNITY-BASED PRIMARY**
2 **HEALTH FACILITIES.**

3 (a) IN GENERAL.—In the case of community-based
4 primary health facilities, subject to subsection (b), pay-
5 ments under a State health security program shall be
6 based on—

- 7 (1) a global budget described in section 611,
8 (2) the basic primary care capitation amount
9 described in subsection (c) for each individual en-
10 rolled with the provider of such services,
11 (3) a fee schedule under section 613, or
12 (4) an alternative prospective payment method
13 that is approved by the State health security pro-
14 gram.

15 (b) PAYMENT ADJUSTMENT.—Payments under sub-
16 section (a) may include, consistent with the budgets devel-
17 oped under this title—

- 18 (1) an additional amount, as set by the Board,
19 to cover the costs incurred by a provider which
20 serves persons not covered by this Act whose health
21 care is essential to overall community health and the
22 control of communicable disease, and for whom the
23 cost of such care is otherwise uncompensated,
24 (2) an additional amount, as set by the Board,
25 to cover the reasonable costs incurred by a provider
26 that furnishes case management services (as defined

1 in section 1915(g)(2) of the Social Security Act),
2 transportation services, and translation services, and
3 (3) an additional amount, as set by the Board,
4 to cover the costs incurred by a provider in conduct-
5 ing health professional education programs in con-
6 nection with the provision of such services.

7 (c) BASIC PRIMARY CARE CAPITATION AMOUNT.—

8 (1) IN GENERAL.—The basic primary care capi-
9 tation amount described in this subsection for an en-
10 rollee with a provider of community-based primary
11 health services shall be determined by the State
12 health security program on the basis of the average
13 amount of expenditures that is estimated would be
14 made under the State health security program for
15 such an enrollee, based on actuarial characteristics
16 (as defined by the State health security program).

17 (2) ADJUSTMENT FOR SPECIAL HEALTH
18 NEEDS.—The State health security program shall
19 adjust such average amounts to take into account
20 the special health needs, including a disproportionate
21 number of medically underserved individuals, of pop-
22 ulations served by the provider.

23 (3) ADJUSTMENT FOR SERVICES NOT PRO-
24 VIDED.—The State health security program shall ad-
25 just such average amounts to take into account the

1 cost of community-based primary health services
2 that are not provided by the provider.

3 (d) COMMUNITY-BASED PRIMARY HEALTH SERVICES
4 DEFINED.—In this section, the term “community-based
5 primary health services” has the meaning given such term
6 in section 202(a).

7 **SEC. 616. PAYMENTS FOR PRESCRIPTION DRUGS.**

8 (a) ESTABLISHMENT OF CLASSIFICATION.—

9 (1) IN GENERAL.—Based upon the rec-
10 ommendations of the Advisory Committee on Pre-
11 scription Drugs under section 403(f), the Board
12 shall establish classifications of prescription drugs
13 and biologicals that the Board determines are nec-
14 essary for the maintenance or restoration of health
15 or of employability or self-management and eligible
16 for coverage under this Act.

17 (2) EXCLUSIONS.—The Board may exclude re-
18 imbursement under this Act for ineffective, unsafe,
19 or over-priced products where better alternatives are
20 determined to be available.

21 (b) PRICES.—For each such classified prescription
22 drug or biological covered under this Act, for insulin, and
23 for medical foods, the Board shall from time to time deter-
24 mine a product price or prices which shall constitute the
25 maximum to be recognized under this Act as the cost of

1 a drug to a provider thereof. The Board may conduct ne-
2 gotiations, on behalf of State health security programs,
3 with product manufacturers and distributors in determin-
4 ing the applicable product price or prices.

5 (c) CHARGES BY INDEPENDENT PHARMACIES.—
6 Each State health security program shall provide for pay-
7 ment for a prescription drug or biological or insulin fur-
8 nished by an independent pharmacy based on the drug's
9 cost to the pharmacy (not in excess of the applicable prod-
10 uct price established under subsection (b)) plus a dispens-
11 ing fee. In accordance with standards established by the
12 Board, each State health security program, after consulta-
13 tion with representatives of the pharmaceutical profession,
14 shall establish schedules of dispensing fees, designed to af-
15 ford reasonable compensation to independent pharmacies
16 after taking into account variations in their cost of oper-
17 ation resulting from regional differences, differences in the
18 volume of prescription drugs dispensed, differences in
19 services provided, the need to maintain expenditures with-
20 in the budgets established under this title, and other
21 relevant factors.

22 **SEC. 617. PAYMENTS FOR APPROVED DEVICES AND EQUIP-**
23 **MENT.**

24 (a) ESTABLISHMENT OF LIST.—The Board shall es-
25 tablish a list of approved durable medical equipment and

1 therapeutic devices and equipment (including eyeglasses,
2 hearing aids, and prosthetic appliances), that the Board
3 determines are necessary for the maintenance or restora-
4 tion of health or of employability or self-management and
5 eligible for coverage under this Act.

6 (b) CONSIDERATIONS AND CONDITIONS.—In estab-
7 lishing the list under subsection (a), the Board shall take
8 into consideration the efficacy, safety, and cost of each
9 item contained on such list, and shall attach to any item
10 such conditions as the Board determines appropriate with
11 respect to the circumstances under which, or the frequency
12 with which, the item may be prescribed.

13 (c) PRICES.—For each such listed item covered under
14 this Act, the Board shall from time to time determine a
15 product price or prices which shall constitute the maxi-
16 mum to be recognized under this Act as the cost of the
17 item to a provider thereof. The Board may conduct nego-
18 tiations, on behalf of State health security programs, with
19 equipment and device manufacturers and distributors in
20 determining the applicable product price or prices.

21 (d) EXCLUSIONS.—The Board may exclude from cov-
22 erage under this Act ineffective, unsafe, or overpriced
23 products where better alternatives are determined to be
24 available.

1 **SEC. 618. PAYMENTS FOR OTHER ITEMS AND SERVICES.**

2 In the case of payment for other covered health serv-
3 ices, the amount of payment under a State health security
4 program shall be established by the program—

5 (1) in accordance with payment methodologies
6 which are specified by the Board after consultation
7 with the American Health Security Advisory Council
8 and the Board's standing Advisory Committee on
9 Cost Containment, and

10 (2) consistent with the State health security
11 budget.

12 **SEC. 619. ROLE OF COMMISSIONS IN ESTABLISHING PAY-**
13 **MENT RATES.**

14 (a) **ROLE OF THE PROSPECTIVE PAYMENT ASSESS-**
15 **MENT COMMISSION.**—The Prospective Payment Assess-
16 ment Commission, instead of conducting activities de-
17 scribed in section 1886 of the Social Security Act, shall
18 advise the Board concerning the approval of prospective
19 global budgets for hospitals and nursing facilities under
20 section 611 and shall annually prepare and submit to the
21 Congress and the Board a report containing the rec-
22 ommendations of the Commission concerning the most ap-
23 propriate manner in which the budget approval process
24 should be modified to best meet the objectives of this title.

25 (b) **ROLE OF THE PRACTITIONER PAYMENT REVIEW**
26 **COMMISSION.**—

1 (1) REDESIGNATION.—The Commission estab-
2 lished under section 1845 of the Social Security Act
3 is renamed the “Practitioner Payment Review Com-
4 mission” (hereafter referred to in this subsection as
5 the “Commission”) and is continued for purposes of
6 carrying out this subsection.

7 (2) ADDITIONAL MEMBERS.—The Director of
8 the Congressional Office of Technology Assessment
9 shall increase the membership of the Commission to
10 such number as may be necessary to include the rep-
11 resentation of nurses and other health care profes-
12 sionals whose services are paid for on the basis of
13 a relative-value fee schedule established under sec-
14 tion 613, and shall consult with the General Health
15 Care Payment Review Commission and other appro-
16 priate provider organizations.

17 (3) ALTERNATIVE FUNCTIONS.—The Commis-
18 sion, instead of conducting activities of the type de-
19 scribed in section 1845 of the Social Security Act,
20 shall advise the Board concerning the fee schedules
21 established under section 613 and shall annually
22 prepare and submit to Congress and the Board a re-
23 port containing recommendations concerning the
24 manner in which payment schedules under sub-

1 section (b) of such section should be modified to best
2 meet the objectives of this title.

3 (c) GENERAL HEALTH CARE PAYMENT REVIEW
4 COMMISSION.—

5 (1) ESTABLISHMENT.—

6 (A) IN GENERAL.—The Director of the
7 Congressional Office of Technology Assessment
8 shall provide for the appointment of a General
9 Health Care Payment Review Commission
10 (hereafter referred to in this subsection as the
11 “Commission”), to be composed of individuals
12 with national recognition for their expertise in
13 health care economics and related fields for
14 items and services for which payment is made
15 under section 616, 617, 618, or 620(a), rep-
16 resentatives of providers and manufacturers of
17 such items and services, and representatives of
18 consumers of these items and services.

19 (B) APPOINTMENTS.—Members of the
20 Commission shall first be appointed not later
21 than January 1, 1994, for a term of 3 years,
22 except that the Director may provide initially
23 for such shorter terms as will insure that (on
24 a continuing basis) the terms of no more than
25 one-third of the number of members expire in

1 any year. Appointments shall be made without
2 regard to the provisions of title 5, United
3 States Code, governing appointments in the
4 competitive service.

5 (C) MEMBERSHIP.—Membership on the
6 Commission shall include health care econo-
7 mists, representatives of providers and manu-
8 facturers of such items and services, and rep-
9 resentatives of consumers of these items and
10 services.

11 (2) FUNCTIONS.—The Commission shall advise
12 the Board concerning the payment amounts estab-
13 lished under sections 616, 617, 618, and 620(a) and
14 shall annually prepare and submit to Congress and
15 the Board a report containing recommendations on
16 the manner in which such payment amounts should
17 be modified to best meet the objectives of this title.

18 (d) LONG-TERM CARE PAYMENT REVIEW COMMIS-

19 SION—

20 (1) ESTABLISHMENT.—

21 (A) IN GENERAL.—The Director of the
22 Congressional Office of Technology Assessment
23 shall provide for the appointment of a Long-
24 Term Care Payment Review Commission (here-
25 after referred to in this subsection as the

1 “Commission”) to be composed of individuals
2 with national recognition for their expertise in
3 health care economics and related fields for
4 nursing facility services, home health services,
5 hospice care, and home and community-based
6 long-term care services.

7 (B) APPOINTMENTS.—Members of the
8 Commission shall first be appointed not later
9 than January 1, 1994, for a term of 3 years,
10 except that the Director may provide initially
11 for such shorter terms as will insure that (on
12 a continuing basis) the terms of no more than
13 one-third of the number of members expire in
14 any year. Appointments shall be made without
15 regard to the provisions of title 5, United
16 States Code, governing appointments in the
17 competitive service.

18 (C) MEMBERSHIP.—Members of the Com-
19 mission shall include health care economists,
20 representatives of providers and manufacturers
21 of such services, and consumers of such serv-
22 ices.

23 (2) FUNCTIONS.—The Commission shall advise
24 the Board concerning the payment amounts for
25 long-term care established under this subtitle and

1 shall annually prepare and submit to Congress and
2 the Board an annual report containing the rec-
3 ommendations of the Commission concerning the
4 manner in which global budgets and payment meth-
5 odologies should be modified to best meet the objec-
6 tives of this title.

7 **SEC. 620. PAYMENT INCENTIVES FOR MEDICALLY UNDER-**
8 **SERVED AREAS.**

9 (a) MODEL PAYMENT METHODOLOGIES.—In addi-
10 tion to the payment amounts otherwise provided in this
11 title, the Board shall establish model payment methodolo-
12 gies and other incentives that promote the provision of
13 covered health care services in medically underserved
14 areas, particularly in rural and inner-city underserved
15 areas.

16 (b) CONSTRUCTION.—Nothing in this title shall be
17 construed as limiting the authority of State health security
18 programs to increase payment amounts or otherwise pro-
19 vide additional incentives, consistent with the State health
20 security budget, to encourage the provision of medically
21 necessary and appropriate services in underserved areas.

22 **SEC. 621. WAIVER AUTHORITY FOR ALTERNATIVE PAY-**
23 **MENT METHODOLOGIES.**

24 (a) IN GENERAL.—Upon application of a State
25 health security program as part of its plan under section

1 405(a), the Board may waive a required payment meth-
2 odology under this subtitle as it may be necessary to allow
3 alternative payment methodologies or to conduct experi-
4 ments and demonstration projects, consistent with the
5 State health security budget.

6 (b) CONDITIONS FOR APPROVAL.—The Board may
7 not approve a request for such a waiver unless the Board
8 determines that such payment methodology does not ad-
9 versely affect the entitlement of individuals to coverage,
10 the benefits covered under the program, the quality of
11 services provided under the program, the ability of individ-
12 uals to choose among qualified providers, the weighting
13 of fee schedules to encourage an increase in the number
14 of primary care practitioners, or the compliance of the pro-
15 gram with the State health security budget under subtitle
16 A.

17 (c) PERIODIC REPORTS.—The continued approval of
18 such a waiver is conditioned upon the program submitting
19 periodic reports to the Board showing the operation and
20 effectiveness of the alternative methodology, in order for
21 the Board to evaluate the appropriateness of the alter-
22 native methodology.

1 **Subtitle C—Mandatory Assignment**
2 **and Administrative Provisions**

3 **SEC. 631. MANDATORY ASSIGNMENT.**

4 (a) NO BALANCE BILLING.—Payments for benefits
5 under this Act shall constitute payment in full for such
6 benefits and the entity furnishing an item or service for
7 which payment is made under this Act shall accept such
8 payment as payment in full for the item or service and
9 may not accept any payment or impose any charge for
10 any such item or service other than accepting payment
11 from the State health security program in accordance with
12 this Act.

13 (b) ENFORCEMENT.—If an entity knowingly and will-
14 fully bills for an item or service or accepts payment in
15 violation of subsection (a), the Board may apply sanctions
16 against the entity in the same manner as sanctions could
17 have been imposed under section 1842(j)(2) of the Social
18 Security Act for a violation of section 1842(j)(1) of such
19 Act. Such sanctions are in addition to any sanctions that
20 a State may impose under its State health security
21 program.

22 **SEC. 632. PROCEDURES FOR REIMBURSEMENT; APPEALS.**

23 (a) PROCEDURES FOR REIMBURSEMENT.—In accord-
24 ance with standards issued by the Board, a State health
25 security program shall establish a timely and administra-

1 tively simple procedure to assure payment within 60 days
 2 of the date of submission of clean claims by providers
 3 under this Act.

4 (b) APPEALS PROCESS.—Each State health security
 5 program shall establish an appeals process to handle all
 6 grievances pertaining to payment to providers under this
 7 title.

8 **TITLE VII—PROMOTION OF PRI-**
 9 **MARY HEALTH CARE; DEVEL-**
 10 **OPMENT OF HEALTH SERV-**
 11 **ICE CAPACITY; PROGRAMS TO**
 12 **ASSIST THE MEDICALLY UN-**
 13 **DERSERVED**

14 **Subtitle A—Promotion and Expan-**
 15 **sion of Primary Care Profes-**
 16 **sional Training**

17 **SEC. 701. ROLE OF BOARD; ESTABLISHMENT OF PRIMARY**
 18 **CARE PROFESSIONAL OUTPUT GOALS.**

19 (a) IN GENERAL.—The Board is responsible for—

20 (1) coordinating health professional education
 21 policies and goals, in consultation with the Secretary
 22 of Health and Human Services (in this title referred
 23 to as the “Secretary”), to achieve the national goals
 24 specified in subsection (b);

1 (2) developing and maintaining, in cooperation
2 with the Secretary, a system to monitor the number
3 and specialties of individuals through their health
4 professional education, any postgraduate training,
5 and professional practice; and

6 (3) developing, coordinating, and promoting
7 other policies that expand the number of primary
8 care practitioners.

9 (b) NATIONAL GOALS.—The national goals specified
10 in this subsection are as follows:

11 (1) GRADUATE MEDICAL EDUCATION.—By not
12 later than 5 years after the date of the enactment
13 of this Act, at least 50 percent of the residents in
14 medical residency education programs (as defined in
15 subsection (e)(1)) are primary care residents (as de-
16 fined in subsection (e)(2)).

17 (2) MIDDLELEVEL PRIMARY CARE PRACTITION-
18 ERS.—To assure an adequate supply of primary care
19 practitioners, there shall be a number, specified by
20 the Board, of midlevel primary care practitioners (as
21 defined in subsection (e)(3)) employed in the health
22 care system as of January 1, 2000.

23 (c) METHOD FOR ATTAINMENT OF NATIONAL GOAL
24 FOR GRADUATE MEDICAL EDUCATION; PROGRAM
25 GOALS.—

1 (1) IN GENERAL.—The Board shall establish a
2 method of applying the national goal in subsection
3 (b)(1) to program goals for each medical residency
4 education program or to medical residency education
5 consortia.

6 (2) CONSIDERATION.—The program goals
7 under paragraph (1) shall be based on the distribu-
8 tion of medical schools and other teaching facilities
9 within each State health security program, and the
10 number of positions for graduate medical education.

11 (3) MEDICAL RESIDENCY EDUCATION CONSOR-
12 TIUM.—In this subsection, the term “medical resi-
13 dency education consortium” means a consortium of
14 medical residency education programs in a contig-
15 uous geographic area (which may be an interstate
16 area) if the consortium—

17 (A) includes at least one medical school
18 with a teaching hospital and related teaching
19 settings, and

20 (B) has an affiliation with qualified com-
21 munity-based primary health service providers
22 described in section 202(a) and with at least
23 one comprehensive health service organization
24 established under section 303.

1 (4) ENFORCEMENT THROUGH STATE HEALTH
2 SECURITY BUDGETS.—The Board shall develop a
3 formula for reducing payments to State health secu-
4 rity programs (that provide for payments to a medi-
5 cal residency education program) that failed to meet
6 the goal for the program established under this sub-
7 section.

8 (d) METHOD FOR ATTAINMENT OF NATIONAL GOAL
9 FOR MIDDLELEVEL PRIMARY CARE PRACTITIONERS.—To as-
10 sist in attaining the national goal identified in subsection
11 (b)(2), the Board shall—

12 (1) advise the Public Health Service on alloca-
13 tions of funding under titles VII and VIII of the
14 Public Health Service Act, the National Health
15 Service Corps, and other programs in order to in-
16 crease the supply of midlevel primary care practi-
17 tioners, and

18 (2) commission a study of the potential benefits
19 and disadvantages of expanding the scope of practice
20 authorized under State laws for any class of midlevel
21 primary care practitioners.

22 (e) DEFINITIONS.—In this title:

23 (1) MEDICAL RESIDENCY EDUCATION PRO-
24 GRAM.—The term “medical residency education pro-
25 gram” means a program that provides education

1 and training to graduates of medical schools in order
2 to meet requirements for licensing and certification
3 as a physician, and includes the medical school su-
4 pervising the program and includes the hospital or
5 other facility in which the program is operated.

6 (2) PRIMARY CARE RESIDENT.—The term “pri-
7 mary care resident” means (in accordance with cri-
8 teria established by the Board) a resident being
9 trained in a distinct program of family practice med-
10 icine, general practice, general internal medicine, or
11 general pediatrics.

12 (3) MIDLEVEL PRIMARY CARE PRACTI-
13 TIONER.—The term “midlevel primary care practi-
14 tioner” means a clinical nurse practitioner, certified
15 nurse midwife, physician assistant, or other non-phy-
16 sician practitioner, specified by the Board, as au-
17 thorized to practice under State law.

18 **SEC. 702. ESTABLISHMENT OF ADVISORY COMMITTEE ON**
19 **HEALTH PROFESSIONAL EDUCATION.**

20 (a) IN GENERAL.—The Board shall provide for an
21 Advisory Committee on Health Professional Education (in
22 this section referred to as the “Committee”) to advise the
23 Board on its activities under section 701.

24 (b) MEMBERSHIP.—The Committee shall be com-
25 posed of—

1 (1) the Chair of the Board, who shall serve as
2 Chair of the Committee, and

3 (2) 12 members, not otherwise in the employ of
4 the United States, appointed by the Board without
5 regard to the provisions of title 5, United States
6 Code, governing appointments in the competitive
7 service.

8 The appointed members shall provide a balanced point of
9 view with respect to health professional education, primary
10 care disciplines, and health care policy and shall include
11 individuals who are representative of medical schools,
12 other health professional schools, residency programs, pri-
13 mary care practitioners, teaching hospitals, professional
14 associations, public health organizations, State health se-
15 curity programs, and consumers.

16 (c) TERMS OF MEMBERS.—Each appointed member
17 shall hold office for a term of five years, except that—

18 (1) any member appointed to fill a vacancy oc-
19 curring during the term for which the member's
20 predecessor was appointed shall be appointed for the
21 remainder of that term; and

22 (2) the terms of the members first taking office
23 shall expire, as designated by the Board at the time
24 of appointment, two at the end of the second year,
25 two at the end of the third year, two at the end of

1 the fourth year, and three at the end of the fifth
2 year after the date of enactment of this Act.

3 (d) VACANCIES.—

4 (1) IN GENERAL.—The Board shall fill any va-
5 cancy in the membership of the Committee in the
6 same manner as the original appointment. The va-
7 cancy shall not affect the power of the remaining
8 members to execute the duties of the Committee.

9 (2) VACANCY APPOINTMENTS.—Any member
10 appointed to fill a vacancy shall serve for the re-
11 mainder of the term for which the predecessor of the
12 member was appointed.

13 (3) REAPPOINTMENT.—The Board may re-
14 appoint an appointed member of the Committee for
15 a second term in the same manner as the original
16 appointment.

17 (e) DUTIES.—It shall be the duty of the Committee
18 to advise the Board concerning graduate medical edu-
19 cation policies under this title.

20 (f) STAFF.—The Committee, its members, and any
21 committees of the Committee shall be provided with such
22 secretarial, clerical, or other assistance as may be author-
23 ized by the Board for carrying out their respective func-
24 tions.

1 (g) MEETINGS.—The Committee shall meet as fre-
2 quently as the Board deems necessary, but not less than
3 4 times each year. Upon request by four or more members
4 it shall be the duty of the Chair to call a meeting of the
5 Committee.

6 (h) COMPENSATION.—Members of the Committee
7 shall be reimbursed by the Board for travel and per diem
8 in lieu of subsistence expenses during the performance of
9 duties of the Board in accordance with subchapter I of
10 chapter 57 of title 5, United States Code.

11 (i) FACA NOT APPLICABLE.—The provisions of the
12 Federal Advisory Committee Act shall not apply to the
13 Committee.

14 **SEC. 703. GRANTS FOR HEALTH PROFESSIONS EDUCATION,**
15 **NURSE EDUCATION, AND THE NATIONAL**
16 **HEALTH SERVICE CORPS.**

17 (a) TRANSFERS TO PUBLIC HEALTH SERVICE.—
18 From the amounts provided under subsection (c), the
19 Board shall make transfers from the American Health Se-
20 curity Trust Fund to the Public Health Service under sub-
21 part II of part D of title III, title VII, and title VIII of
22 the Public Health Service Act for the support of the Na-
23 tional Health Service Corps, health professions education,
24 and nursing education, including education of clinical
25 nurse practitioners, certified registered nurse anesthetists,

1 certified nurse midwives, and physician assistants. Of the
2 amounts so transferred in each year, not less than 50 per-
3 cent shall be expended for the support of the National
4 Health Service Corps.

5 (b) RANGE OF FUNDS.—The amount of transfers
6 under subsection (a) for any fiscal year shall be an amount
7 (specified by the Board each year) not less than $\frac{4}{100}$ per-
8 cent and not to exceed $\frac{6}{100}$ percent of the amounts the
9 Board estimates will be expended from the Trust Fund
10 in the fiscal year.

11 (c) FUNDS SUPPLEMENTAL TO OTHER FUNDS.—The
12 funds provided under this section with respect to provision
13 of services are in addition to, and not in replacement of,
14 funds made available under the provisions referred to in
15 subsection (a) and shall be administered in accordance
16 with the terms of such provisions. The Board shall make
17 no transfer of funds under this section for any fiscal year
18 for which the total appropriations for the programs au-
19 thorized by such provisions are less than the total amount
20 appropriated for such programs in fiscal year 1993.

21 **Subtitle B—Direct Health Care**
22 **Delivery**

23 **SEC. 711. SETASIDE FOR PUBLIC HEALTH BLOCK GRANTS.**

24 (a) TRANSFERS TO PUBLIC HEALTH SERVICE.—
25 From the amounts provided under subsection (c), the

1 Board shall make transfers from the American Health Se-
2 curity Trust Fund to the Public Health Service for the
3 following purposes:

4 (1) For payments to States under the maternal
5 and child health block grants under title V of the
6 Social Security Act.

7 (2) Preventive health block grants under part A
8 of title XIX of the Public Health Service Act.

9 (3) Grants to States for community mental
10 health services under subpart I of part B of title
11 XIX of the Public Health Service Act.

12 (4) Grants to States for prevention and treat-
13 ment of substance abuse under subpart II of part B
14 of title XIX of the Public Health Service Act.

15 (5) Grants for HIV health care services under
16 parts A, B, and C of title XXVI of the Public
17 Health Service Act.

18 (b) RANGE OF FUNDS.—The amount of transfers
19 under subsection (a) for any fiscal year shall be an amount
20 (specified by the Board each year) not less than $\frac{1}{10}$ per-
21 cent and not to exceed $\frac{14}{100}$ percent of the amounts the
22 Board estimates will be expended from the Trust Fund
23 in the fiscal year.

24 (c) FUNDS SUPPLEMENTAL TO OTHER FUNDS.—The
25 funds provided under this section with respect to provision

1 of services are in addition to, and not in replacement of,
2 funds made available under the programs referred to in
3 subsection (a) and shall be administered in accordance
4 with the terms of such programs. The Board shall make
5 no transfer of funds under this section for any fiscal year
6 for which the total appropriations for such programs are
7 less than the total amount appropriated for such programs
8 in fiscal year 1993.

9 **SEC. 712. SETASIDE FOR PRIMARY HEALTH CARE DELIV-**
10 **ERY.**

11 (a) TRANSFERS TO PUBLIC HEALTH SERVICE.—
12 From the amounts provided under subsection (c), the
13 Board shall make transfers from the American Health Se-
14 curity Trust Fund to the Public Health Service for the
15 program of primary care service expansion grants under
16 subpart V of part D of title III of the Public Health
17 Service Act (as added by section 713 of this Act).

18 (b) RANGE OF FUNDS.—The amount of transfers
19 under subsection (a) for any fiscal year shall be an amount
20 (specified by the Board each year) not less than $\frac{6}{100}$ per-
21 cent and not to exceed $\frac{1}{10}$ percent of the amounts the
22 Board estimates will be expended from the Trust Fund
23 in the fiscal year.

24 (c) FUNDS SUPPLEMENTAL TO OTHER FUNDS.—The
25 funds provided under this section with respect to provision

1 of services are in addition to, and not in replacement of,
 2 funds made available under the sections 329, 330, 340,
 3 340A, 1001, and 2655 of the Public Health Service Act.
 4 The Board shall make no transfer of funds under this sec-
 5 tion for any fiscal year for which the total appropriations
 6 for such sections are less than the total amount appro-
 7 priated under such sections in fiscal year 1993.

8 **SEC. 713. PRIMARY CARE SERVICE EXPANSION GRANTS.**

9 Part D of title III of the Public Health Service Act
 10 (42 U.S.C. 254b et seq.) is amended by adding at the end
 11 thereof the following new subpart:

12 **“Subpart V—Primary Care Expansion**

13 **“SEC. 340D. EXPANDING PRIMARY CARE DELIVERY CAPAC-**
 14 **ITY IN URBAN AND RURAL AREAS.**

15 “(a) GRANTS FOR PRIMARY CARE CENTERS.—From
 16 the amounts described in subsection (c), the American
 17 Health Security Standards Board shall make grants to
 18 public and nonprofit private entities for projects to plan,
 19 develop, and operate primary care centers which will serve
 20 medically underserved populations (as defined in section
 21 330(b)(3)) in urban and rural areas and to deliver primary
 22 care services to such populations in such areas. The funds
 23 provided under such a grant may be used for the same
 24 purposes for which a grant may be made under subsection
 25 (c) or (d) of section 330.

1 “(b) PROCESS OF AWARDING GRANTS.—The provi-
 2 sions of subsection (e)(1) of section 330 shall apply to a
 3 grant under this section in the same manner as they apply
 4 to a grant under subsection (c) of such section. The provi-
 5 sions of subsection (g)(3) of such section shall apply to
 6 grants for projects to plan and develop primary care cen-
 7 ters under this section in the same manner as they apply
 8 to grants under such section.

9 “(c) FUNDING AS SET-ASIDE FROM TRUST FUND.—
 10 Funding to carry out this section is provided from the
 11 American Health Security Trust Fund in accordance with
 12 section 712 of the American Health Security Act.

13 “(d) PRIMARY CARE CENTER DEFINED.—In this sec-
 14 tion, the term ‘primary care center’ means—

15 “(1) a migrant health center (as defined in sec-
 16 tion 329(a)(1)),

17 “(2) a community health center (as defined in
 18 section 330(a)),

19 “(3) an entity qualified to receive a grant under
 20 section 340, 340A, 1001, or 2655, or

21 “(4) a Federally-qualified health center (as de-
 22 fined in section 1905(l)(2)(B) of the Social Security
 23 Act).”.

1 **Subtitle C—Primary Care and**
2 **Outcomes Research**

3 **SEC. 721. SET-ASIDE FOR OUTCOMES RESEARCH.**

4 (a) GRANTS FOR OUTCOMES RESEARCH.—From the
5 amounts provided under subsection (c), the Board shall
6 make transfers from the Trust Fund to the Agency for
7 Health Care Policy and Research under title IX of the
8 Public Health Service Act for the purpose of carrying out
9 activities under such title.

10 (b) RANGE OF FUNDS.—The amount of transfers
11 under subsection (a) for any fiscal year shall be an amount
12 (specified by the Board each year) not less than $\frac{1}{100}$ per-
13 cent and not to exceed $\frac{2}{100}$ percent of the amounts the
14 Board estimates will be expended from the Trust Fund
15 in the fiscal year.

16 (c) FUNDS SUPPLEMENTAL TO OTHER FUNDS.—The
17 funds provided under this section with respect to provision
18 of services are in addition to, and not in replacement of,
19 funds made available to the Agency for Health Care Policy
20 and Research under section 926 of the Public Health
21 Service Act. The Board shall make no transfer of funds
22 under this section for any fiscal year for which the total
23 appropriations under such section are less than the total
24 amount appropriated under such section and title in fiscal
25 year 1993.

1 (d) CONFORMING AMENDMENT.—Section 926(a) of
 2 the Public Health Service Act (42 U.S.C. 299c–5(a)) is
 3 amended by striking “\$35,000,000” and all that follows
 4 through the end and inserting “for each fiscal year (begin-
 5 ning with fiscal year 1994) such sums as may be
 6 necessary.”.

7 **SEC. 722. OFFICE OF PRIMARY CARE AND PREVENTION RE-**
 8 **SEARCH.**

9 (a) IN GENERAL.—Title IV of the Public Health
 10 Service Act, as amended by section 2 of Public Law 101–
 11 613, is amended—

12 (1) by redesignating section 486 as section
 13 485A;

14 (2) by redesignating parts F through H as
 15 parts G through I, respectively; and

16 (3) by inserting after part E the following
 17 new part:

18 “PART F—RESEARCH ON PRIMARY CARE AND
 19 PREVENTION

20 **“SEC. 486. OFFICE OF PRIMARY CARE AND PREVENTION**
 21 **RESEARCH.**

22 “(a) ESTABLISHMENT.—There is established within
 23 the Office of the Director of NIH an office to be known
 24 as the Office of Primary Care and Prevention Research
 25 (in this part referred to as the ‘Office’). The Office shall

1 be headed by a director, who shall be appointed by the
2 Director of NIH.

3 “(b) PURPOSE.—The Director of the Office shall—

4 “(1) identify projects of research on primary
5 care and prevention that should be conducted or
6 supported by the national research institutes, with
7 particular emphasis on—

8 “(A) clinical patient care,

9 “(B) diagnostic effectiveness,

10 “(C) primary care education,

11 “(D) health and family planning services,

12 “(E) medical effectiveness outcomes of pri-
13 mary care procedures and interventions, includ-
14 ing effects on populations within the commu-
15 nity, district, State, or the United States, and

16 “(F) the use of multidisciplinary teams of
17 health care practitioners;

18 “(2) identify multidisciplinary research related
19 to primary care and prevention that should be so
20 conducted;

21 “(3) promote coordination and collaboration
22 among entities conducting research identified under
23 any of paragraphs (1) and (2);

1 “(4) encourage the conduct of such research by
2 entities receiving funds from the national research
3 institutes;

4 “(5) recommend an agenda for conducting and
5 supporting such research;

6 “(6) promote the sufficient allocation of the re-
7 sources of the national research institutes for con-
8 ducting and supporting such research; and

9 “(7) prepare the report required in section
10 486B.

11 “(c) COORDINATING COMMITTEE.—

12 “(1) In carrying out subsection (b), the Direc-
13 tor of the Office shall establish a committee to be
14 known as the Coordinating Committee on Research
15 on Primary Care and Prevention Research (in this
16 subsection referred to as the ‘Coordinating Commit-
17 tee’).

18 “(2) The Coordinating Committee shall be com-
19 posed of the Directors of the national research insti-
20 tutes (or the designees of the Directors).

21 “(3) The Director of the Office shall serve as
22 the Chair of the Coordinating Committee.

23 “(4) With respect to research on primary care
24 and prevention, the Coordinating Committee shall
25 assist the Director of the Office in—

1 “(A) identifying the need for such re-
2 search, and making an estimate each fiscal year
3 of the funds needed to adequately support the
4 research; and

5 “(B) identifying needs regarding the co-
6 ordination of research activities, including in-
7 tramural and extramural multidisciplinary ac-
8 tivities.

9 “(d) ADVISORY COMMITTEE.—

10 “(1) In carrying out subsection (b), the Direc-
11 tor of the Office shall establish an advisory commit-
12 tee to be known as the Advisory Committee on Re-
13 search on Primary Care and Prevention Research
14 (in this subsection referred to as the ‘Advisory Com-
15 mittee’).

16 “(2) The Advisory Committee shall be com-
17 posed of 14 individuals who are not officers or em-
18 ployees of the Federal Government. The Director of
19 the Office shall make appointments to the Advisory
20 Committee from among physicians, practitioners,
21 scientists, and other health professionals whose clini-
22 cal practice, research specialization, or professional
23 expertise includes a significant focus on research on
24 primary care and prevention.

1 “(3) The Director of the Office shall serve as
2 the Chair of the Advisory Committee.

3 “(4) The Advisory Committee shall—

4 “(A) advise the Director of the Office on
5 appropriate research activities to be undertaken
6 by the national research institutes with respect
7 to—

8 “(i) primary care and prevention, and

9 “(ii) research on primary care and
10 prevention which requires a multidisci-
11 plinary approach;

12 “(B) report to the Director of the Office
13 on such research; and

14 “(C) provide recommendations to such Di-
15 rector regarding activities of the Office (includ-
16 ing recommendations on priorities in carrying
17 out research described in subparagraph (A)).

18 “(5)(A) The Advisory Committee shall prepare
19 a biennial report describing the activities of the
20 Committee, including findings made by the Commit-
21 tee regarding—

22 “(i) the extent of expenditures made for
23 research on primary care and prevention by the
24 agencies of the National Institutes of Health;
25 and

1 “(ii) the level of funding needed for such
2 research.

3 “(B) The report required in subparagraph (A)
4 shall be submitted to the Director of NIH for inclu-
5 sion in the report required in section 403.

6 “(e) PRIMARY CARE AND PREVENTION RESEARCH
7 DEFINED.—For purposes of this part, the term ‘primary
8 care and prevention research’ means research on improve-
9 ment of the practice of family medicine, general internal
10 medicine, and general pediatrics, and includes research
11 relating to—

12 “(1) obstetrics and gynecology, dentistry, or
13 mental health or substance abuse treatment when
14 provided by a primary care physician or other pri-
15 mary care practitioner, and

16 “(2) primary care provided by multidisciplinary
17 teams.

18 **“SEC. 486A. NATIONAL DATA SYSTEM AND CLEARINGHOUSE**
19 **ON PRIMARY CARE AND PREVENTION RE-**
20 **SEARCH.**

21 “(a) DATA SYSTEM.—The Director of NIH, in con-
22 sultation with the Director of the Office, shall establish
23 a data system for the collection, storage, analysis, re-
24 trieval, and dissemination of information regarding pri-
25 mary care and prevention research that is conducted or

1 supported by the national research institutes. Information
2 from the data system shall be available through informa-
3 tion systems available to health care professionals and pro-
4 viders, researchers, and members of the public.

5 “(b) CLEARINGHOUSE.—The Director of NIH, in
6 consultation with the Director of the Office and with the
7 National Library of Medicine, shall establish, maintain,
8 and operate a program to provide, and encourage the use
9 of, information on research and prevention activities of the
10 national research institutes that relate to primary care
11 and prevention research.

12 **“SEC. 486B. BIENNIAL REPORT.**

13 “(a) IN GENERAL.—With respect to primary care
14 and prevention research, the Director of the Office shall,
15 not later than one year after the date of the enactment
16 of this part, and biennially thereafter, prepare a report—

17 “(1) describing and evaluating the progress
18 made during the preceding two fiscal years in re-
19 search and treatment conducted or supported by the
20 National Institutes of Health;

21 “(2) summarizing and analyzing expenditures
22 made by the agencies of such Institutes (and by
23 such Office) during the preceding two fiscal years;
24 and

1 “(3) making such recommendations for legisla-
2 tive and administrative initiatives as the Director of
3 the Office determines to be appropriate.

4 “(b) INCLUSION IN BIENNIAL REPORT OF DIRECTOR
5 OF NIH.—The Director of the Office shall submit each
6 report prepared under subsection (a) to the Director of
7 NIH for inclusion in the report submitted to the President
8 and the Congress under section 403.”.

9 (b) REQUIREMENT OF SUFFICIENT ALLOCATION OF
10 RESOURCES OF INSTITUTES.—Section 402(b) of the Pub-
11 lic Health Service Act (42 U.S.C. 282(b)) is amended—

12 (1) in paragraph (10), by striking “and” after
13 the semicolon at the end;

14 (2) in paragraph (11), by striking the period at
15 the end and inserting “; and”; and

16 (3) by inserting after paragraph (11) the
17 following new paragraph:

18 “(12) after consultation with the Director of
19 the Office of Primary Care and Prevention Re-
20 search, shall ensure that resources of the National
21 Institutes of Health are sufficiently allocated for
22 projects on primary care and prevention research
23 that are identified under section 486(b).”.

24 (c) AUTHORIZATION OF APPROPRIATIONS.—Section
25 408 of the Public Health Service Act (42 U.S.C. 284(a))

1 is amended by adding at the end the following new para-
 2 graph:

3 “(3) For the Office of Primary Care and Pre-
 4 vention Research, there are authorized to be appro-
 5 priated \$150,000,000 for fiscal year 1994,
 6 \$180,000,000 for fiscal year 1995, and
 7 \$216,000,000 for fiscal year 1996.”.

8 (d) CONFORMING AMENDMENT.—Section 485(g) of
 9 the Public Health Service Act (42 U.S.C. 287c-2(g)) is
 10 amended by striking “section 486” and inserting “section
 11 485A”.

12 **TITLE VIII—FINANCING PROVI-**
 13 **SIONS; AMERICAN HEALTH**
 14 **SECURITY TRUST FUND**

15 **SEC. 800. AMENDMENT OF 1986 CODE; SECTION 15 NOT TO**
 16 **APPLY.**

17 (a) AMENDMENT OF 1986 CODE.—Except as other-
 18 wise expressly provided, whenever in this title an amend-
 19 ment or repeal is expressed in terms of an amendment
 20 to, or repeal of, a section or other provision, the reference
 21 shall be considered to be made to a section or other provi-
 22 sion of the Internal Revenue Code of 1986.

23 (b) SECTION 15 NOT TO APPLY.—The amendments
 24 made by subtitle B shall not be treated as a change in

1 a rate of tax for purposes of section 15 of the Internal
2 Revenue Code of 1986.

3 **Subtitle A—AMERICAN HEALTH**
4 **SECURITY TRUST FUND**

5 **SEC. 801. AMERICAN HEALTH SECURITY TRUST FUND.**

6 (a) IN GENERAL.—There is hereby created on the
7 books of the Treasury of the United States a trust fund
8 to be known as the American Health Security Trust Fund
9 (in this section referred to as the “Trust Fund”). The
10 Trust Fund shall consist of such gifts and bequests as
11 may be made and such amounts as may be deposited in,
12 or appropriated to, such Trust Fund as provided in this
13 Act.

14 (b) APPROPRIATIONS INTO TRUST FUND.—

15 (1) TAXES.—There are hereby appropriated to
16 the Trust Fund for each fiscal year (beginning with
17 fiscal year 1995), out of any moneys in the Treasury
18 not otherwise appropriated, amounts equivalent to
19 100 percent of the aggregate increase in tax liabil-
20 ities under the Internal Revenue Code of 1986 which
21 is attributable to the application of the amendments
22 made by this title. The amounts appropriated by the
23 preceding sentence shall be transferred from time to
24 time (but not less frequently than monthly) from the
25 general fund in the Treasury to the Trust Fund,

1 such amounts to be determined on the basis of esti-
2 mates by the Secretary of the Treasury of the taxes
3 paid to or deposited into the Treasury; and proper
4 adjustments shall be made in amounts subsequently
5 transferred to the extent prior estimates were in ex-
6 cess of or were less than the amounts that should
7 have been so transferred.

8 (2) CURRENT PROGRAM RECEIPTS.—Notwith-
9 standing any other provision of law, there are hereby
10 appropriated to the Trust Fund for each fiscal year
11 (beginning with fiscal year 1995) the amounts that
12 would otherwise have been appropriated to carry out
13 the following programs (and any other Federal pro-
14 gram identified by the Board, in consultation with
15 the Secretary of the Treasury, as providing for pay-
16 ment for health services the payment of which may
17 be made under this Act):

18 (A) The medicare program, under parts A
19 and B of title XVIII of the Social Security Act
20 (other than amounts attributable to any pre-
21 miums under such parts).

22 (B) The medicaid program, under State
23 plans approved under title XIX of such Act.

1 (C) The Federal employees health benefit
2 program, under chapter 89 of title 5, United
3 States Code.

4 (D) The CHAMPUS program, under chap-
5 ter 55 of title 10, United States Code.

6 (c) INCORPORATION OF PROVISIONS.—The provisions
7 of subsections (b) through (i) of section 1817 of the Social
8 Security Act shall apply to the Trust Fund under this Act
9 in the same manner as they applied to the Federal Hos-
10 pital Insurance Trust Fund under part A of title XVIII
11 of such Act, except that the American Health Security
12 Standards Board shall constitute the Board of Trustees
13 of the Trust Fund.

14 (d) TRANSFER OF FUNDS.—Any amounts remaining
15 in the Federal Hospital Insurance Trust Fund or the Fed-
16 eral Supplementary Medical Insurance Trust Fund after
17 the settlement of claims for payments under title XVIII
18 have been completed, shall be transferred into the Amer-
19 ican Health Security Trust Fund.

1 **Subtitle B—Increases in Corporate**
 2 **and Individual Income Tax**
 3 **Rates; Health Security Pre-**
 4 **mium; Surtax on Individuals**
 5 **With Incomes Over \$1,000,000**

6 **SEC. 811. INCREASES IN REGULAR INCOME TAX RATES.**

7 (a) INCREASE IN TOP CORPORATE INCOME TAX
 8 RATE.—Subparagraph (C) of section 1(b)(1) (relating to
 9 tax imposed on corporations) is amended by striking “34
 10 percent” and inserting “38 percent”.

11 (b) INCREASE IN INDIVIDUAL INCOME TAXES.—Sec-
 12 tion 1 (relating to tax imposed) as amended by striking
 13 subsections (a) through (e) and inserting the following:

14 “(a) MARRIED INDIVIDUALS FILING JOINT RETURNS
 15 AND SURVIVING SPOUSES.—There is hereby imposed on
 16 the taxable income of—

17 “(1) every married individual (as defined in sec-
 18 tion 7703) who makes a single return jointly with
 19 his spouse under section 6013, and

20 “(2) every surviving spouse (as defined in sec-
 21 tion 2(a)), a tax determined in accordance with the
 22 following table:

“If taxable income is:	The tax is:
Not over \$38,000	15% of taxable income.
Over \$38,000 but not over \$91,900.	\$5,700, plus 30% of the excess over \$38,000.
Over \$91,900 but not over \$200,000.	\$22,409, plus 34% of the excess over \$91,900.

“If taxable income is:

Over \$200,000

The tax is:

\$59,163, plus 38% of the excess over \$200,000.

1 “(b) HEADS OF HOUSEHOLDS.—There is hereby im-
 2 posed on the taxable income of every head of a household
 3 (as defined in section 2(b)) a tax determined in accordance
 4 with the following table:

“If taxable income is:

Not over \$30,500

Over \$30,500 but not over \$78,750.

Over \$78,750 but not over \$172,000.

Over \$172,000

The tax is:

15% of taxable income.

\$4,575, plus 30% of the excess over \$30,500.

\$19,532.50, plus 34% of the excess over \$78,750.

\$51,237.50, plus 38% of the excess over \$172,000.

5 “(c) UNMARRIED INDIVIDUALS (OTHER THAN SUR-
 6 VIVING SPOUSES AND HEADS OF HOUSEHOLDS).—There
 7 is hereby imposed on the taxable income of every individ-
 8 ual (other than a surviving spouse as defined in section
 9 2(a) or the head of a household as defined in section 2(b))
 10 who is not a married individual (as defined in section 770)
 11 a tax determined in accordance with the following table:

“If taxable income is:

Not over \$22,750

Over \$22,750 but not over \$55,150.

Over \$55,150 but not over \$120,000.

Over \$120,000

The tax is:

15% of taxable income.

\$3,412.50, plus 30% of the excess over \$22,750.

\$13,456.50, plus 34% of the excess over \$55,150.

\$35,505, plus 38% of the excess over \$120,000.

12 “(d) MARRIED INDIVIDUALS FILING SEPARATE RE-
 13 TURNS.—There is hereby imposed on the taxable income
 14 of every married individual (as defined in section 7703)
 15 who does not make a single return jointly with his spouse

1 under section 6013, a tax determined in accordance with
 2 the following table:

“If taxable income is:	The tax is:
Not over \$19,000	15% of taxable income.
Over \$19,000 but not over \$45,950.	\$2,850, plus 30% of the excess over \$19,000.
Over \$45,950 but not over \$100,000.	\$11,204.50, plus 34% of the excess over \$45,950.
Over \$100,000	\$29,581.50, plus 38% of the excess over \$100,000.

3 “(e) ESTATES AND TRUSTS.—There is hereby im-
 4 posed on the taxable income of—

5 “(1) every estate, and

6 “(2) every trust,

7 taxable under this subsection a tax determined in accord-
 8 ance with the following table:

“If taxable income is:	The tax is:
Not over \$3,000	15% of taxable income.
Over \$3,000 but not over \$5,000 ..	\$450, plus 30% of the excess over \$3,000.
Over \$5,000 but not over \$7,000 ..	\$1,070, plus 34% of the excess over \$5,000.
Over \$7,000	\$1,750, plus 38% of the excess over \$7,000.”.

9 (c) CONFORMING AMENDMENTS.—

10 (1) Section 541 is amended by striking “28
 11 percent” and inserting “30 percent”.

12 (2)(A) Subsection (f) of section 1 is amended—

13 (i) by striking “1990” in paragraph (1)
 14 and inserting “1995”, and

15 (ii) by striking “1989” in paragraph

16 (3)(B) and inserting “1994”.

1 (B) Subparagraph (B) of section 32(i)(1) is
2 amended by striking “1989” and inserting “1994”.

3 (C) Subparagraph (C) of section 41(e)(5) is
4 amended by striking “1989” each place it appears
5 and inserting “1994”.

6 (D) Subparagraph (B) of section 63(c)(4) is
7 amended by striking “1989” and inserting “1994”.

8 (E) Subparagraph (B) of section 68(b)(2) is
9 amended by striking “1989” and inserting “1994”.

10 (F) Subparagraphs (A)(ii) and (B)(ii) of section
11 151(d)(4) are each amended by striking “1989” and
12 inserting “1994”.

13 (G) Clause (ii) of section 513(h)(2)(C) is
14 amended by striking “1989” and inserting “1994”.

15 (H) Subsection (a) of section 1201 is amended
16 by striking “34 percent” each place it appears and
17 inserting “38 percent”.

18 (d) EFFECTIVE DATE.—The amendments made by
19 this section shall apply to taxable years beginning after
20 December 31, 1994.

21 **SEC. 812. INCREASES IN MINIMUM TAX RATES.**

22 (a) IN GENERAL.—Subparagraph (A) of section
23 55(b)(1) (relating to tentative minimum tax) is amended
24 by striking “20 percent (24 percent)” and inserting “25
25 percent (28 percent”.

1 (b) CONFORMING AMENDMENT.—Paragraph (2) of
 2 section 897(a) is amended by striking “21” in the heading
 3 of such paragraph and in subparagraph (A) and inserting
 4 “28”.

5 (c) EFFECTIVE DATE.—The amendments made by
 6 this section shall apply to taxable years beginning after
 7 December 31, 1994.

8 **SEC. 813. HEALTH SECURITY PREMIUM.**

9 (a) GENERAL RULE.—Subchapter A of chapter 1 (re-
 10 lating to determination of tax liability) is amended by add-
 11 ing at the end thereof the following new part:

12 **“PART VIII—HEALTH SECURITY PREMIUM**

“Sec. 59B. Imposition of premium.

13 **“SEC. 59B. IMPOSITION OF PREMIUM.**

14 “(a) GENERAL RULE.—In the case of an individual—

15 “(1) the amount of the tax imposed under sec-
 16 tion 1 for such taxable year shall be increased by 7.5
 17 percent of the tax imposed under section 1 for such
 18 taxable year (determined without regard to this
 19 paragraph and section 59C), and

20 “(2) the amount of the tentative minimum tax
 21 determined under section 55 for such taxable year
 22 shall be increased by 7.5 percent of the amount of
 23 the tentative minimum tax for such taxable year (de-

1 terminated without regard to this paragraph and
2 59D).

3 “(b) SPECIAL RULES.—

4 “(1) SURTAX TO APPLY TO ESTATES AND
5 TRUSTS.—For purposes of this section, the term ‘in-
6 dividual’ includes any estate or trust taxable under
7 section 1.

8 “(2) COORDINATION WITH OTHER PROVI-
9 SIONS.—The provisions of this section shall be ap-
10 plied—

11 “(A) shall be applied after the application
12 of section 1(h), but

13 “(B) before the application of any other
14 provision of this title which refers to the
15 amount of tax imposed by section 1 or 55, as
16 the case may be.”.

17 (b) CLERICAL AMENDMENT.—The table of parts for
18 subchapter A of chapter 1 is amended by adding at the
19 end the following new item:

 “Part VIII. Health security premium.”

20 (c) EFFECTIVE DATE.—The amendments made by
21 this section shall apply to taxable years beginning after
22 December 31, 1993.

1 **SEC. 814. SURTAX ON INDIVIDUALS WITH INCOMES OVER**
 2 **\$1,000,000.**

3 (a) GENERAL RULE.—Subchapter A of chapter 1 (re-
 4 lating to determination of tax liability) is amended by add-
 5 ing at the end thereof the following new part:

6 **“PART IX—SURTAX ON INDIVIDUALS WITH**
 7 **INCOMES OVER \$1,000,000**

“Sec. 59C. Surtax on section 1 tax.

“Sec. 59D. Surtax on minimum tax.

“Sec. 59E. Special rules.

8 **“SEC. 59C. SURTAX ON SECTION 1 TAX.**

9 “In the case of an individual who has taxable income
 10 for the taxable year in excess of \$1,000,000, the amount
 11 of the tax imposed under section 1 for such taxable year
 12 shall be increased by 10 percent of the amount which
 13 bears the same ratio to the tax imposed under section 1
 14 (determined without regard to this section and section
 15 59B) as—

16 “(1) the amount by which the taxable income of
 17 such individual for such taxable year exceeds
 18 \$1,000,000, bears to

19 “(2) the total amount of such individual’s tax-
 20 able income for such taxable year.

21 **“SEC. 59D. SURTAX ON MINIMUM TAX.**

22 “In the case of an individual who has alternative min-
 23 imum taxable income for the taxable year in excess of
 24 \$1,000,000, the amount of the tentative minimum tax de-

1 terminated under section 55 for such taxable year shall be
 2 increased by 2.8 percent of the amount by which the alter-
 3 native minimum taxable income of such taxpayer for the
 4 taxable year exceeds \$1,000,000.

5 **“SEC. 59E. SPECIAL RULES.**

6 “(a) SURTAX TO APPLY TO ESTATES AND
 7 TRUSTS.—For purposes of this part, the term ‘individual’
 8 includes any estate or trust taxable under section 1.

9 “(b) TREATMENT OF MARRIED INDIVIDUALS FILING
 10 SEPARATE RETURNS.—In the case of a married individual
 11 (within the meaning of section 7703) filing a separate re-
 12 turn for the taxable year, sections 59C and 59D shall be
 13 applied by substituting ‘\$500,000’ for ‘\$1,000,000’.

14 “(c) COORDINATION WITH OTHER PROVISIONS.—
 15 The provisions of this part—

16 “(1) shall be applied after the application of
 17 sections 1(h) and 59B, but

18 “(2) before the application of any other provi-
 19 sion of this title which refers to the amount of tax
 20 imposed by section 1 or 55, as the case may be.”.

21 (b) CLERICAL AMENDMENT.—The table of parts for
 22 subchapter A of chapter 1 is amended by adding at the
 23 end the following new item:

“Part IX. Surtax on individuals with incomes over \$1,000,000.”.

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years beginning after
3 December 31, 1994.

4 **Subtitle C—Employment Tax**
5 **Changes**

6 **SEC. 821. MODIFICATIONS OF CERTAIN EMPLOYMENT TAX**
7 **PROVISIONS.**

8 (a) INCREASE IN EMPLOYER HOSPITAL INSURANCE
9 TAX; REPEAL OF DOLLAR LIMITATION ON AMOUNT OF
10 WAGES SUBJECT TO EMPLOYEE AND EMPLOYER HOS-
11 PITAL INSURANCE TAXES.—

12 (1) EMPLOYEE TAX.—Subsection (b) of section
13 3101 is amended by striking “equal to” and all that
14 follows and inserting “equal to 1.45 percent of the
15 wages (as defined in section 3121(a) without regard
16 to paragraph (1) thereof) received by him with re-
17 spect to employment (as defined in section
18 3121(b))”.

19 (2) EMPLOYER TAX.—Subsection (b) of section
20 3111 is amended by striking “equal to” and all that
21 follows and inserting “equal to 7.9 percent of the
22 wages (as defined in section 3121(a) without regard
23 to paragraph (1) thereof) paid by him with respect
24 to employment (as defined in section 3121(b))”.

1 (3) SELF-EMPLOYMENT TAX.—Subsection (b)
 2 of section 1401 is amended by striking “a tax as fol-
 3 lows:” and all that follows and inserting “a tax
 4 equal to 8.35 percent of the amount of the self-em-
 5 ployment income (as defined in section 1402(b)
 6 without regard to paragraph (1) thereof) for such
 7 taxable year”.

8 (4) RAILROAD RETIREMENT TAXES.—Subpara-
 9 graph (A) of section 3231(e)(2) is amended by add-
 10 ing at the end thereof the following new clause:

11 “(iii) LIMITATION NOT TO APPLY TO
 12 TAXES EQUIVALENT TO HOSPITAL INSUR-
 13 ANCE TAXES.—Clause (i) shall not apply
 14 to—

15 “(I) so much of the rate applica-
 16 ble under section 3201(a) or 3221(a)
 17 (as the case may be) as does not ex-
 18 ceed the rate of tax in effect under
 19 section 3101(b), and

20 “(II) so much of the rate of tax
 21 applicable under section 3211(a)(1) as
 22 does not exceed the rate of tax in ef-
 23 fect under section 1401(b).”.

24 (5) TECHNICAL AMENDMENTS.—

1 (A) Subsection (b) of section 1402 is
2 amended by striking “the applicable contribu-
3 tion base (as determined under subsection (k))”
4 and inserting “the contribution and benefit base
5 (as determined under section 231 of the Social
6 Security Act)”.

7 (B) Section 1402 is amended by striking
8 subsection (k).

9 (C) Paragraph (1) of section 3121(a) is
10 amended—

11 (i) by striking “applicable contribution
12 base (as determined under subsection (x))”
13 each place it appears and inserting “con-
14 tribution and benefit base (as determined
15 under section 230 of the Social Security
16 Act)”, and

17 (ii) by striking “such applicable con-
18 tribution base” and inserting “such con-
19 tribution and benefit base”.

20 (D) Section 3121 is amended by striking
21 subsection (x).

22 (E) Clause (i) of section 3231(e)(2)(B) is
23 amended to read as follows:

24 “(i) TIER 1 TAXES.—Except as pro-
25 vided in clause (ii), the term ‘applicable

1 base' means for any calendar year the con-
2 tribution and benefit base determined
3 under section 230 of the Social Security
4 Act for such calendar year.”

5 (F) Paragraph (3) of section 6413(c) is
6 amended to read as follows:

7 “(3) SEPARATE APPLICATION FOR HOSPITAL
8 INSURANCE TAXES.—Paragraphs (1) and (2) shall
9 not apply to—

10 “(A) the tax imposed by section 3101(b)
11 (or any amount equivalent to such tax), and

12 “(B) so much of the tax imposed by sec-
13 tion 3201 as is determined at a rate not greater
14 than the rate in effect under section 3101(b).”.

15 (G) Sections 3122 and 3125 are each
16 amended—

17 (i) by striking “section 3111” each
18 place it appears and inserting “section
19 3111(a)”, and

20 (ii) by striking “applicable contribu-
21 tion base limitation” and inserting “con-
22 tribution and benefit base limitation”.

23 (6) EFFECTIVE DATE.—The amendments made
24 by this subsection shall apply to 1994 and later cal-
25 endar years.

1 (b) ADDITIONAL STATE AND LOCAL EMPLOYEES
2 SUBJECT TO HOSPITAL INSURANCE TAX.—

3 (1) IN GENERAL.—Paragraph (2) of section
4 3121(u) is amended by striking subparagraphs (C)
5 and (D).

6 (2) EFFECTIVE DATE.—The amendment made
7 by this subsection shall apply to remuneration paid
8 after December 31, 1994.

9 **Subtitle D—Other Revenue In-**
10 **creases Primarily Affecting In-**
11 **dividuals**

12 **SEC. 831. OVERALL LIMITATION ON ITEMIZED DEDUCTIONS**
13 **FOR HIGH-INCOME TAXPAYERS MADE PER-**
14 **MANENT.**

15 Subsection (f) of section 68 (relating to overall limita-
16 tion on itemized deductions) is hereby repealed.

17 **SEC. 832. PHASEOUT OF PERSONAL EXEMPTION OF HIGH-**
18 **INCOME TAXPAYERS MADE PERMANENT.**

19 Section 151(d)(3) (relating to phaseout of personal
20 exemption) is amended by striking subparagraph (E).

21 **SEC. 833. MODIFICATIONS TO DEDUCTIONS FOR CERTAIN**
22 **MOVING EXPENSES.**

23 (a) REPEAL OF DEDUCTION FOR QUALIFIED RESI-
24 DENCE SALE, ETC., EXPENSES.—

1 (1) IN GENERAL.—Paragraph (1) of section
2 217(b) (defining moving expenses) is amended by in-
3 serting “or” at the end of subparagraph (C), by
4 striking “, or” at the end of subparagraph (D) and
5 inserting a period, and by striking
6 subparagraph (E).

7 (2) CONFORMING AMENDMENTS.—

8 (A) Subsection (b) of section 217 is
9 amended by striking paragraph (2) and redesign-
10 nating paragraph (3) as paragraph (2).

11 (B) Section 217 is amended by striking
12 subsection (e).

13 (b) DEDUCTION DISALLOWED FOR MEAL EX-
14 PENSES.—Paragraph (1) of section 217(b) is amended—

15 (1) by striking “meals and lodging” in subpara-
16 graphs (B), (C) and (D) and inserting “lodging”,
17 and

18 (2) by adding at the end thereof the following
19 new sentence:

20 “Such term shall not include any expenses for
21 meals.”.

22 (c) OVERALL LIMITATION.—

23 (1) IN GENERAL.—Subparagraph (A) of section
24 217(b)(2) (as redesignated by subsection (a)) is
25 amended to read as follows:

“(A) DOLLAR LIMITS.—The aggregate amount allowable as a deduction under subsection (a) in connection with a commencement of work shall not exceed \$5,000. The aggregate amount allowable as a deduction under subsection (a) in connection with a commencement of work which is attributable to expenses described in subparagraphs (C) or (D) of paragraph (1) shall not exceed \$1,500.”.

(2) CONFORMING AMENDMENTS.—

(A) Subparagraph (B) of section 217(b)(2) (as so redesignated) is amended by striking the second sentence and inserting the following: “In the case of a husband and wife filing separate returns, subparagraph (A) shall be applied by substituting ‘\$750’ for ‘\$1,500’, and by substituting ‘\$2,500’ for ‘\$5,000’.”.

(B) Paragraph (1) of section 217(h) is amended by striking subparagraphs (B) and (C) and inserting the following:

“(B) subsection (b)(2)(A) shall be applied by substituting ‘\$4,500’ for ‘\$1,500’, and

“(C) appropriate adjustments to the application of the last sentence of subsection (b)(2)(B) shall be made to take into account

1 the provisions of subparagraph (B) of this para-
 2 graph.”.

3 (d) INCREASE IN MILEAGE REQUIREMENTS.—Para-
 4 graph (1) of section 217(c) is amended by striking “35
 5 miles” each place it appears and inserting “60 miles”.

6 (e) EFFECTIVE DATE.—The amendments made by
 7 this section shall apply to taxable years beginning after
 8 December 31, 1994.

9 **SEC. 834. TOP ESTATE AND GIFT TAX RATES MADE PERMA-**
 10 **NENT.**

11 (a) GENERAL RULE.—The table contained in para-
 12 graph (1) of section 2001(c) is amended by striking the
 13 last item and inserting the following new items:

“Over \$2,500,000 but not over \$3,000,000.	\$1,025,800, plus 53% of the excess over \$2,500,000.
Over \$3,000,000	\$1,290,800, plus 55% of the excess over \$3,000,000.”.

14 (b) CONFORMING AMENDMENTS.—

15 (1) Subsection (c) of section 2001 is amended
 16 by striking paragraph (2) and by redesignating
 17 paragraph (3) as paragraph (2).

18 (2) Paragraph (2) of section 2001(c), as redes-
 19 igned by paragraph (1), is amended by striking
 20 “(\$18,340,000 in the case of decedents dying, and
 21 gifts made, after 1992)”.

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply in the case of decedents dying, and
3 gifts made, after December 31, 1994.

4 **SEC. 835. ELIMINATION OF DEDUCTION FOR CLUB MEM-**
5 **BERSHIP FEES.**

6 (a) IN GENERAL.—Subsection (a) of section 274 (re-
7 lating to disallowance of certain entertainment, etc.,
8 expenses) is amended by adding at the end thereof the
9 following new paragraph:

10 “(3) DENIAL OF DEDUCTION FOR CLUB
11 DUES.—Notwithstanding the preceding provisions of
12 this subsection, no deduction shall be allowed under
13 this chapter for amounts paid or incurred for mem-
14 bership in any club organized for business, pleasure,
15 recreation, or other social purpose.”.

16 (b) EFFECTIVE DATE.—The amendment made by
17 this section shall apply to amounts paid or incurred after
18 December 31, 1994.

19 **SEC. 836. INCREASE OF SOCIAL SECURITY BENEFITS IN-**
20 **CLUDED IN INCOME.**

21 (a) IN GENERAL.—Subsections (a) and (b) of section
22 86 are each amended by striking “one-half” each place
23 it appears and inserting “85 percent”.

1 (b) EFFECTIVE DATE.—The amendment made by
2 this section shall apply to taxable years beginning after
3 December 31, 1994.

4 **SEC. 837. LONG-TERM HEALTH CARE PREMIUM FOR THE**
5 **ELDERLY.**

6 (a) IN GENERAL.—Except as provided in subsection
7 (b), each individual who at any time in a month is 65
8 years of age or older and is eligible for benefits under title
9 XXI of the Social Security Act in the month shall pay
10 a long-term care/health care premium for the month of
11 \$65.

12 (b) EXCEPTION FOR LOW-INCOME ELDERLY.—The
13 Secretary of Health and Human Services shall provide a
14 process whereby individuals with an adjusted gross income
15 which does not exceed \$8,500 (or \$10,700 in the case of
16 joint adjusted gross income in the case of a married indi-
17 vidual) are not liable for the premium imposed under
18 paragraph (1).

19 (c) COLLECTION OF PREMIUM.—The premium im-
20 posed under this section shall be collected in the same
21 manner (including deduction from Social Security checks)
22 as the premium imposed under part B of title XVIII of
23 the Social Security Act was collected under section 1840
24 of such Act as of the date of the enactment of this Act.

1 (d) DEPOSIT INTO NATIONAL HEALTH TRUST
 2 FUND.—Premiums collected under this section shall be
 3 transferred to and deposited into the National Health
 4 Trust Fund in the same manner as premiums collected
 5 under section 1840 of the Social Security Act were trans-
 6 ferred and deposited into the Federal Supplementary Med-
 7 ical Insurance Trust Fund.

8 (e) COST-OF-LIVING ADJUSTMENT.—In the case of
 9 months beginning in any calendar year after 1996, each
 10 of the dollar amounts contained in subsections (a) and (b)
 11 shall be increased by an amount equal to such dollar
 12 amount, multiplied by the cost-of-living adjustment deter-
 13 mined under section 1(f)(3) of the Internal Revenue Code
 14 of 1986 for the calendar year in which the month begins.

15 (f) APPLICATION OF SECTION.—This section shall
 16 apply to months beginning after December 31, 1994.

17 **Subtitle E—Other Revenue In-**
 18 **creases Primarily Affecting**
 19 **Businesses**

20 **SEC. 841. MARK TO MARKET ACCOUNTING METHOD FOR**
 21 **SECURITIES DEALERS.**

22 (a) GENERAL RULE.—Subpart D of part II of sub-
 23 chapter E of chapter 1 (relating to inventories) is amend-
 24 ed by adding at the end thereof the following new section:

1 **“SEC. 475. MARK TO MARKET ACCOUNTING METHOD FOR**
2 **DEALERS IN SECURITIES.**

3 “(a) GENERAL RULE.—Notwithstanding any other
4 provision of this subpart, the following rules shall apply
5 to securities held by a dealer in securities:

6 “(1) Any security which is inventory in the
7 hands of the dealer shall be included in inventory at
8 its fair market value.

9 “(2) In the case of any security which is not in-
10 ventory in the hands of the dealer and which is held
11 at the close of any taxable year—

12 “(A) the dealer shall recognize gain or loss
13 as if such security were sold for its fair market
14 value on the last business day of such taxable
15 year, and

16 “(B) any gain or loss shall be taken into
17 account for such taxable year.

18 Proper adjustment shall be made in the amount of
19 any gain or loss subsequently realized for gain or
20 loss taken into account under the preceding sen-
21 tence. The Secretary may provide by regulations for
22 the application of this paragraph at times other than
23 the times provided in this paragraph.

24 “(b) EXCEPTIONS.—

25 “(1) IN GENERAL.—Subsection (a) shall not
26 apply to—

1 “(A) any security held for investment,

2 “(B)(i) any security described in sub-
3 section (c)(2)(C) which is acquired (including
4 originated) by the taxpayer in the ordinary
5 course of a trade or business of the taxpayer
6 and which is not held for sale, and (ii) any obli-
7 gation to acquire a security described in clause
8 (i) if such obligation is entered into in the ordi-
9 nary course of such trade or business and is not
10 held for sale, and

11 “(C) any security which is a hedge with re-
12 spect to—

13 “(i) a security to which subsection (a)
14 does not apply, or

15 “(ii) a position, right to income, or a
16 liability which is not a security in the
17 hands of the taxpayer.

18 To the extent provided in regulations, subparagraph
19 (C) shall not apply to any security held by a person
20 in its capacity as a dealer in securities.

21 “(2) IDENTIFICATION REQUIRED.—A security
22 shall not be treated as described in subparagraph
23 (A), (B), or (C) of paragraph (1), as the case may
24 be, unless such security is clearly identified in the
25 dealer’s records as being described in such subpara-

1 graph before the close of the day on which it was ac-
2 quired, originated, or entered into (or such other
3 time as the Secretary may by regulations prescribe).

4 “(3) SECURITIES SUBSEQUENTLY NOT EX-
5 EMPT.—If a security ceases to be described in para-
6 graph (1) at any time after it was identified as such
7 under paragraph (2), subsection (a) shall apply to
8 any changes in value of the security occurring after
9 the cessation.

10 “(4) SPECIAL RULE FOR PROPERTY HELD FOR
11 INVESTMENT.—To the extent provided in regula-
12 tions, subparagraph (A) of paragraph (1) shall not
13 apply to any security described in subparagraph (D)
14 or (E) of subsection (c)(2) which is held by a dealer
15 in such securities.

16 “(c) DEFINITIONS.—For purposes of this section—

17 “(1) DEALER IN SECURITIES DEFINED.—The
18 term ‘dealer in securities’ means a taxpayer who—

19 “(A) regularly purchases securities from or
20 sells securities to customers in the ordinary
21 course of a trade or business; or

22 “(B) regularly offers to enter into, assume,
23 offset, assign or otherwise terminate positions
24 in securities with customers in the ordinary
25 course of a trade or business.

1 “(2) SECURITY DEFINED.—The term ‘security’
2 means any—

3 “(A) share of stock in a corporation;

4 “(B) partnership or beneficial ownership
5 interest in a widely held or publicly traded part-
6 nership or trust;

7 “(C) note, bond, debenture, or other evi-
8 dence of indebtedness;

9 “(D) interest rate, currency, or equity no-
10 tional principal contract;

11 “(E) evidence of an interest in, or a deriv-
12 ative financial instrument in, any security de-
13 scribed in subparagraph (A), (B), (C), or (D),
14 or any currency, including any option, forward
15 contract, short position, and any similar finan-
16 cial instrument in such a security or currency;
17 and

18 “(F) position which—

19 “(i) is not a security described in sub-
20 paragraph (A), (B), (C), (D), or (E),

21 “(ii) is a hedge with respect to such
22 a security, and

23 “(iii) is clearly identified in the deal-
24 er’s records as being described in this sub-
25 paragraph before the close of the day on

1 which it was acquired or entered into (or
2 such other time as the Secretary may by
3 regulations prescribe).

4 Subparagraph (E) shall not include any contract to
5 which section 1256(a) applies.

6 “(3) HEDGE.—The term ‘hedge’ means any po-
7 sition which reduces the dealer’s risk of interest rate
8 or price changes or currency fluctuations, including
9 any position which is reasonably expected to become
10 a hedge within 60 days after the acquisition of the
11 position.

12 “(d) SPECIAL RULES.—For purposes of this sec-
13 tion—

14 “(1) COORDINATION WITH CERTAIN RULES.—
15 The rules of sections 263(g), 263A, and 1256(a)
16 shall not apply to securities to which subsection (a)
17 applies, and section 1091 shall not apply (and sec-
18 tion 1092 shall apply) to any loss recognized under
19 subsection (a).

20 “(2) IMPROPER IDENTIFICATION.—If a tax-
21 payer—

22 “(A) identifies any security under sub-
23 section (b)(2) as being described in subsection
24 (b)(1) and such security is not so described, or

1 “(B) fails under subsection (c)(2)(F)(iii) to
2 identify any position which is described in sub-
3 section (c)(2)(F) (without regard to clause (iii)
4 thereof) at the time such identification is
5 required,

6 the provisions of subsection (a) shall apply to such
7 security or position, except that any loss under this
8 section prior to the disposition of the security or po-
9 sition shall be recognized only to the extent of gain
10 previously recognized under this section (and not
11 previously taken into account under this paragraph)
12 with respect to such security or position.

13 “(3) CHARACTER OF GAIN OR LOSS.—

14 “(A) IN GENERAL.—Except as provided in
15 subparagraph (B) or section 1236(b)—

16 “(i) IN GENERAL.—Any gain or loss
17 with respect to a security under subsection
18 (a)(2) shall be treated as ordinary income
19 or loss.

20 “(ii) SPECIAL RULE FOR DISPOSI-
21 TIONS.—If—

22 “(I) gain or loss is recognized
23 with respect to a security before the
24 close of the taxable year, and

1 “(II) subsection (a)(2) would
2 have applied if the security were held
3 as of the close of the taxable year,
4 such gain or loss shall be treated as ordi-
5 nary income or loss.

6 “(B) EXCEPTION.—Subparagraph (A)
7 shall not apply to any gain or loss which is allo-
8 cable to a period during which—

9 “(i) the security is described in sub-
10 section (b)(1)(C) (without regard to sub-
11 section (b)(2)),

12 “(ii) the security is held by a person
13 other than in connection with its activities
14 as a dealer in securities, or

15 “(iii) the security is improperly identi-
16 fied (within the meaning of subparagraph
17 (A) or (B) of paragraph (2)).

18 “(e) REGULATORY AUTHORITY.—The Secretary shall
19 prescribe such regulations as may be necessary or appro-
20 priate to carry out the purposes of this section, including
21 rules—

22 “(1) to prevent the use of year-end transfers,
23 related parties, or other arrangements to avoid the
24 provisions of this section, and

1 “(2) to provide for the application of this sec-
 2 tion to any security which is a hedge which cannot
 3 be identified with a specific security, position, right
 4 to income, or liability.”.

5 (b) CONFORMING AMENDMENTS.—

6 (1) Paragraph (1) of section 988(d) is amend-
 7 ed—

8 (A) by striking “section 1256” and insert-
 9 ing “section 475 or 1256”, and

10 (B) by striking “1092 and 1256” and in-
 11 serting “475, 1092, and 1256”.

12 (2) The table of sections for subpart D of part
 13 II of subchapter E of chapter 1 is amended by add-
 14 ing at the end thereof the following new item:

“Sec. 475. Mark to market accounting method for dealers in secu-
 rities.”.

15 (c) EFFECTIVE DATE.—

16 (1) IN GENERAL.—The amendments made by
 17 this section shall apply to all taxable years ending on
 18 or after December 31, 1994.

19 (2) CHANGE IN METHOD OF ACCOUNTING.—In
 20 the case of any taxpayer required by this section to
 21 change its method of accounting for any taxable
 22 year—

23 (A) such change shall be treated as initi-
 24 ated by the taxpayer,

1 (B) such change shall be treated as made
2 with the consent of the Secretary, and

3 (C) the net amount of the adjustments re-
4 quired to be taken into account by the taxpayer
5 under section 481 of the Internal Revenue Code
6 of 1986 shall be taken into account ratably over
7 the 4-taxable year period beginning with the
8 first taxable year ending on or after December
9 31, 1994.

10 **SEC. 842. INCREASE IN RECOVERY PERIOD FOR NON-**
11 **RESIDENTIAL REAL PROPERTY.**

12 (a) GENERAL RULE.—Paragraph (1) of section
13 168(c) (relating to applicable recovery period) is amended
14 by striking the item relating to nonresidential real prop-
15 erty and inserting the following:

“Nonresidential real property 40 years.”.

16 (b) EFFECTIVE DATE.—

17 (1) IN GENERAL.—Except as provided in para-
18 graph (2), the amendment made by subsection (a)
19 shall apply to property placed in service by the tax-
20 payer after December 31, 1994.

21 (2) EXCEPTION.—The amendments made by
22 this section shall not apply to property placed in
23 service by the taxpayer before January 1, 1996, if—

24 (A) the taxpayer or a qualified person en-
25 tered into a binding written contract to pur-

1 chase or construct such property before Decem-
2 ber 31, 1994, or

3 (B) the construction of such property was
4 commenced by or for the taxpayer or a qualified
5 person before December 31, 1994.

6 For purposes of this paragraph, the term “qualified
7 person” means any person who transfers his rights
8 in such a contract or such property to the taxpayer
9 but only if the property is not placed in service by
10 such person before such rights are transferred to the
11 taxpayer.

12 **SEC. 843. TAXATION OF INCOME OF CONTROLLED FOREIGN**
13 **CORPORATIONS ATTRIBUTABLE TO IM-**
14 **PORTED PROPERTY.**

15 (a) GENERAL RULE.—Subsection (a) of section 954
16 (defining foreign base company income) is amended by
17 striking “and” at the end of paragraph (4), by striking
18 the period at the end of paragraph (5) and inserting “,
19 and”, and by adding at the end thereof the following new
20 paragraph:

21 “(6) imported property income for the taxable
22 year (determined under subsection (h) and reduced
23 as provided in subsection (b)(5)).”.

1 (b) DEFINITION OF IMPORTED PROPERTY IN-
2 COME.—Section 954 is amended by adding at the end
3 thereof the following new subsection:

4 “(h) IMPORTED PROPERTY INCOME.—

5 “(1) IN GENERAL.—For purposes of subsection
6 (a)(6), the term ‘imported property income’ means
7 income (whether in the form of profits, commissions,
8 fees, or otherwise) derived in connection with—

9 “(A) manufacturing, producing, growing,
10 or extracting imported property,

11 “(B) the sale, exchange, or other disposi-
12 tion of imported property, or

13 “(C) the lease, rental, or licensing of im-
14 ported property.

15 Such term shall not include any foreign oil and gas
16 extraction income (within the meaning of section
17 907(c)) or any foreign oil related income (within the
18 meaning of section 907(c)).

19 “(2) IMPORTED PROPERTY.—For purposes of
20 this subsection—

21 “(A) IN GENERAL.—Except as otherwise
22 provided in this paragraph, the term ‘imported
23 property’ means property which is imported
24 into the United States by the controlled foreign
25 corporation or a related person.

1 “(B) IMPORTED PROPERTY INCLUDES CER-
2 TAIN PROPERTY IMPORTED BY UNRELATED
3 PERSONS.—The term ‘imported property’ in-
4 cludes any property imported into the United
5 States by an unrelated person if, when such
6 property was sold to the unrelated person by
7 the controlled foreign corporation (or a related
8 person), it was reasonable to expect that—

9 “(i) such property would be imported
10 into the United States, or

11 “(ii) such property would be used as
12 a component in other property which would
13 be imported into the United States.

14 “(C) EXCEPTION FOR PROPERTY SUBSE-
15 QUENTLY EXPORTED.—The term ‘imported
16 property’ does not include any property which is
17 imported into the United States and which—

18 “(i) before substantial use in the
19 United States, is sold, leased, or rented by
20 the controlled foreign corporation or a re-
21 lated person for direct use, consumption,
22 or disposition outside the United States, or

23 “(ii) is used by the controlled foreign
24 corporation or a related person as a com-

1 ponent in other property which is so sold,
2 leased, or rented.

3 “(3) DEFINITIONS AND SPECIAL RULES.—

4 “(A) IMPORT.—For purposes of this sub-
5 section, the term ‘import’ means entering, or
6 withdrawal from warehouse, for consumption or
7 use. Such term includes any grant of the right
8 to use an intangible (as defined in section
9 936(b)(3)(B)) in the United States.

10 “(B) UNRELATED PERSON.—For purposes
11 of this subsection, the term ‘unrelated person’
12 means any person who is not a related person
13 with respect to the controlled foreign corpora-
14 tion.

15 “(C) COORDINATION WITH FOREIGN BASE
16 COMPANY SALES INCOME.—For purposes of this
17 section, the term ‘foreign base company sales
18 income’ shall not include any imported property
19 income.”.

20 (c) SEPARATE APPLICATION OF LIMITATIONS ON
21 FOREIGN TAX CREDIT FOR IMPORTED PROPERTY IN-
22 COME.—

23 (1) IN GENERAL.—Paragraph (1) of section
24 904(d) (relating to separate application of section
25 with respect to certain categories of income) is

1 amended by striking “and” at the end of subpara-
 2 graph (H), by redesignating subparagraph (I) as
 3 subparagraph (J), and by inserting after subpara-
 4 graph (H) the following new subparagraph:

5 “(I) imported property income, and”.

6 (2) IMPORTED PROPERTY INCOME DEFINED.—

7 Paragraph (2) of section 904(d) is amended by re-
 8 designating subparagraphs (H) and (I) as subpara-
 9 graphs (I) and (J), respectively, and by inserting
 10 after subparagraph (G) the following new subpara-
 11 graph:

12 “(H) IMPORTED PROPERTY INCOME.—The
 13 term ‘imported property income’ means any in-
 14 come received or accrued by any person which
 15 is of a kind which would be imported property
 16 income (as defined in section 954(h)).”

17 (3) LOOK-THRU RULES TO APPLY.—Subpara-

18 graph (F) of section 904(d)(3) is amended by strik-
 19 ing “or (E)” and inserting “(E), or (H)”.

20 (d) TECHNICAL AMENDMENTS.—

21 (1) Clause (iii) of section 952(c)(1)(B) (relating
 22 to certain prior year deficits may be taken into ac-
 23 count) is amended by inserting the following
 24 subclause after subclause (II) (and by redesignating
 25 the following subclauses accordingly):

1 “(III) imported property income,”.

2 (2) Paragraph (5) of section 954(b) (relating to
3 deductions to be taken into account) is amended by
4 striking “and the foreign base company oil related
5 income” and inserting “the foreign base company oil
6 related income, and the imported property income”.

7 (e) EFFECTIVE DATE.—

8 (1) IN GENERAL.—Except as provided in para-
9 graph (2), the amendments made by this section
10 shall apply to taxable years of foreign corporations
11 beginning after December 31, 1994, and to taxable
12 years of United States shareholders within which or
13 with which such taxable years of such foreign cor-
14 porations end.

15 (2) SUBSECTION (c).—The amendments made
16 by subsection (c) shall apply to taxable years begin-
17 ning after December 31, 1994.

18 **SEC. 844. REPEAL OF DEDUCTION FOR INTANGIBLE DRILL-**
19 **ING AND DEVELOPMENT COSTS.**

20 (a) IN GENERAL.—Subsection (c) of section 263 (re-
21 lating to capital expenditures) is hereby repealed.

22 (b) CONFORMING AMENDMENT.—Section 57 (relat-
23 ing to items of tax preference) is amended by striking sub-
24 sections (a)(2) and (b).

1 (c) EFFECTIVE DATE.—The amendments made by
 2 this section shall apply to costs paid or incurred after De-
 3 cember 31, 1994, in taxable years ending after such date.

4 **SEC. 845. REPEAL OF PERCENTAGE DEPLETION FOR OIL**
 5 **AND GAS WELLS.**

6 (a) IN GENERAL.—Section 613A is hereby repealed.

7 (b) CONFORMING AMENDMENTS.—

8 (1) Subsection (d) of section 613 (relating to
 9 percentage depletion) is amended by striking “Ex-
 10 cept as provided in section 613A, in” and inserting
 11 “In”.

12 (2) Paragraph (1) of section 57(a) is amended
 13 by striking the last sentence.

14 (3) The table of sections for part I of sub-
 15 chapter I of chapter 1 is amended by striking the
 16 item relating to section 613A.

17 (c) EFFECTIVE DATE.—The amendments made by
 18 this section shall apply to taxable years beginning after
 19 December 31, 1994.

20 **SEC. 846. REPEAL OF APPLICATION OF LIKE-KIND EX-**
 21 **CHANGE RULES TO REAL PROPERTY.**

22 (a) IN GENERAL.—Paragraph (2) of section 1031(a)
 23 (relating to exchange of property held for productive use
 24 or investment) is amended by striking “or” at the end of
 25 subparagraph (E), by striking the period at the end of

1 subparagraph (F) and inserting “, or”, and by adding at
 2 the end thereof the following new subparagraph:

3 “(G) real property.”.

4 (b) EFFECTIVE DATE.—The amendment made by
 5 subsection (a) shall apply to transfers after December 31,
 6 1994.

7 **SEC. 847. AMORTIZATION OF PORTION OF ADVERTISING**
 8 **EXPENSES.**

9 (a) IN GENERAL.—Part IX of subchapter B of chap-
 10 ter 1 (relating to items not deductible) is amended by in-
 11 serting after section 263A the following new section:

12 **“SEC. 263B. CAPITALIZATION OF PORTION OF ADVERTISING**
 13 **EXPENSES.**

14 “(a) 20 PERCENT OF ADVERTISING EXPENSES RE-
 15 QUIRED TO BE CAPITALIZED.—

16 “(1) DISALLOWANCE.—Except as provided in
 17 paragraph (2), no deduction shall be allowed for 20
 18 percent of the advertising expenses paid or incurred
 19 by the taxpayer during the taxable year.

20 “(2) AMORTIZATION OF DISALLOWED
 21 AMOUNT.—The amount not allowed as a deduction
 22 under paragraph (1) for any taxable year—

23 “(A) shall be treated as chargeable to cap-
 24 ital account with respect to the trade or busi-

1 ness (or activity described in section 212) in
2 which incurred, and

3 “(B) shall be allowed as a deduction rat-
4 ably over the 48-month period beginning with
5 the 1st month of the following taxable year.

6 “(b) ADVERTISING EXPENSES.—For purposes of this
7 section—

8 “(1) IN GENERAL.—The term ‘advertising ex-
9 pense’ means any amount—

10 “(A) which (without regard to this section)
11 is allowable as a deduction under section 162 or
12 212 for the taxable year in which paid or in-
13 curred, and

14 “(B) which is paid or incurred in connec-
15 tion with an attempt to encourage the purchase
16 or sale, lease, or use of any product or service
17 for the benefit of the taxpayer or a related per-
18 son by means of any media.

19 “(2) AMOUNTS DEDUCTIBLE AS DEPRECIATION
20 OR AMORTIZATION TREATED AS EXPENSES.—The
21 amount allowable as a deduction under this chapter
22 for the taxable year for depreciation or amortization
23 shall be treated for purposes of this section as an ex-
24 pense paid or incurred during such year which is de-
25 scribed in paragraph (1).”.

1 (b) CLERICAL AMENDMENT.—The table of sections
 2 for such part IX is amended by inserting after the item
 3 relating to section 263A the following new item:

“Sec. 263B. Capitalization of portion of advertising expenses.”.

4 (c) EFFECTIVE DATE.—The amendments made by
 5 this section shall apply to amounts paid or incurred after
 6 December 31, 1994, in taxable years ending after such
 7 date.

8 **Subtitle F—Estimated Tax** 9 **Provisions**

10 **SEC. 851. INDIVIDUAL ESTIMATED TAX PROVISIONS.**

11 (a) GENERAL RULE.—Paragraph (1) of section
 12 6654(d) (relating to amount of required installment) is
 13 amended—

14 (1) by striking “100 percent” in subparagraph
 15 (B)(ii) and inserting “120 percent”, and
 16 (2) by striking subparagraphs (C), (D), (E),
 17 and (F).

18 (b) CONFORMING AMENDMENTS.—

19 (1) Subparagraph (C) of section 6654(i)(1) is
 20 amended by striking “and without regard to sub-
 21 paragraph (C) of subsection (d)(1)”.

22 (2) Subparagraph (A) of section 6654(j)(3) is
 23 amended by striking “and subsection (d)(1)(C)(iii)
 24 shall not apply”.

1 (3) Paragraph (4) of section 6654(l) is amend-
 2 ed by striking “paragraphs (1)(C)(iv) and (2)(B)(i)
 3 of subsection (d)” and inserting “subsection
 4 (d)(2)(B)(i)”.

5 (c) EFFECTIVE DATE.—The amendments made by
 6 this subsection shall apply to taxable years beginning after
 7 December 31, 1994.

8 **SEC. 852. CORPORATE ESTIMATED TAX PROVISIONS.**

9 (a) INCREASE IN ESTIMATED TAX.—

10 (1) IN GENERAL.—Subsection (d) of section
 11 6655 (relating to amount of required installments) is
 12 amended—

13 (A) by striking “91 percent” each place it
 14 appears in paragraph (1)(B)(i) and inserting
 15 “100 percent”,

16 (B) by striking “91 PERCENT” in the head-
 17 ing of paragraph (2) and inserting “100 PER-
 18 CENT”, and

19 (C) by striking paragraph (3).

20 (2) CONFORMING AMENDMENTS.—

21 (A) Clause (ii) of section 6655(e)(2)(B) is
 22 amended by striking the table contained therein
 23 and inserting the following new table:

“In the case of the following required installments:	The applicable percentage is:
1st	25
2nd	50

3rd	75
4th	100.”.

1 (B) Clause (i) of section 6655(e)(3)(A) is
2 amended by striking “91 percent” and inserting
3 “100 percent”.

4 (b) MODIFICATION OF PERIODS FOR APPLYING
5 ANNUALIZATION.—

6 (1) Clause (i) of section 6655(e)(2)(A) is
7 amended—

8 (A) by striking “or for the first 5 months”
9 in subclause (II),

10 (B) by striking “or for the first 8 months”
11 in subclause (III), and

12 (C) by striking “or for the first 11
13 months” in subclause (IV).

14 (2) Paragraph (2) of section 6655(e) is amend-
15 ed by adding at the end thereof the following new
16 subparagraph:

17 “(C) ELECTION FOR DIFFERENT
18 ANNUALIZATION PERIODS.—

19 “(i) If the taxpayer makes an election
20 under this clause—

21 “(I) subclause (II) of subpara-
22 graph (A)(i) shall be applied by sub-
23 stituting ‘4 months’ for ‘3 months’,

1 “(II) subclause (III) of subpara-
2 graph (A)(i) shall be applied by sub-
3 stituting ‘7 months’ for ‘6 months’,
4 and

5 “(III) subclause (IV) of subpara-
6 graph (A)(i) shall be applied by sub-
7 stituting ‘10 months’ for ‘9 months’.

8 “(ii) If the taxpayer makes an election
9 under this clause—

10 “(I) subclause (II) of subpara-
11 graph (A)(i) shall be applied by sub-
12 stituting ‘5 months’ for ‘3 months’,

13 “(II) subclause (III) of subpara-
14 graph (A)(i) shall be applied by sub-
15 stituting ‘8 months’ for ‘6 months’,
16 and

17 “(III) subclause (IV) of subpara-
18 graph (A)(i) shall be applied by sub-
19 stituting ‘11 months’ for ‘9 months’.

20 “(iii) An election under clause (i) or
21 (ii) shall apply to the taxable year for
22 which made and such an election shall be
23 effective only if made on or before the date
24 required for the payment of the second re-
25 quired installment for such taxable year.”.

10 SEC. 861. ELECTION OF TAXABLE YEAR OTHER THAN RE-
11 QUIRED TAXABLE YEAR.

(a) LIMITATIONS ON TAXABLE YEARS WHICH MAY BE ELECTED.—Subsection (b) of section 444 (relating to limitations on taxable years which may be elected) is amended to read as follows:

16 “(b) TAXABLE YEAR MUST BE SAME AS REPORTING
17 PERIOD.—If an entity has annual reports or statements—

18 “(1) which ascertain income, profit, or loss of
19 the entity, and

20 “(2) which are—

21 “(A) provided to shareholders, partners, or
22 other proprietors, or

23 “(B) used for credit purposes,

1 the entity may make an election under subsection (a) only
2 if the taxable year elected covers the same period as such
3 reports or statements.”.

4 (b) PERIOD OF ELECTION.—Section 444(d)(2) (re-
5 lating to period of election) is amended to read as follows:

6 “(2) PERIOD OF ELECTION.—

7 “(A) IN GENERAL.—An election under
8 subsection (a) shall remain in effect until the
9 partnership, S corporation, or personal service
10 corporation terminates the election and adopts
11 the required taxable year.

12 “(B) CHANGE NOT TREATED AS TERMI-
13 NATION.—For purposes of subparagraph (A), a
14 change from a taxable year which is not a re-
15 quired taxable year to another such taxable
16 year shall not be treated as a termination.”.

17 (c) EXCEPTION FOR TRUSTS.—Section 444(d)(3)
18 (relating to tiered structures) is amended by adding at the
19 end thereof the following new subparagraph:

20 “(C) EXCEPTION FOR CERTAIN STRUC-
21 TURES THAT INCLUDE TRUSTS.—An entity
22 shall not be considered to be part of a tiered
23 structure to which subparagraph (A) applies
24 solely because a trust owning an interest in
25 such entity is a trust all of the beneficiaries of

1 which use a calendar year for their taxable
2 year.”.

3 (d) REGULATIONS.—Subsection (g) of section 444
4 (relating to regulations) is amended to read as follows:

5 “(g) REGULATIONS.—The Secretary shall prescribe
6 such regulations as may be necessary to carry out the pro-
7 visions of this section, including regulations—

8 “(1) to prevent the avoidance of the provisions
9 of this section through a change in entity or form
10 of an entity,

11 “(2) to prevent the carryback to any preceding
12 taxable year of a net operating loss (or similar item)
13 arising in any short taxable year created pursuant to
14 an election or termination of an election under this
15 section, and

16 “(3) to provide for the termination of an elec-
17 tion under subsection (a) if an entity does not con-
18 tinue to meet the requirements of subsection (b).”

19 **SEC. 862. REQUIRED PAYMENTS FOR ENTITIES ELECTING**
20 **NOT TO HAVE REQUIRED TAXABLE YEAR.**

21 (a) ADDITIONAL REQUIRED PAYMENT.—

22 (1) IN GENERAL.—Section 7519(b) (defining
23 required payment) is amended to read as follows:

24 “(b) REQUIRED PAYMENT.—For purposes of this
25 section—

1 “(1) IN GENERAL.—The term ‘required pay-
 2 ment’ means, with respect to any applicable election
 3 year of a partnership or S corporation, an amount
 4 equal to the excess (if any) of—

5 “(A) the adjusted highest section 1 rate,
 6 multiplied by the net base year income of the
 7 entity, over

8 “(B) the net required payment balance.

9 For purposes of paragraph (1)(A), the term ‘ad-
 10 justed highest section 1 rate’ means the highest rate
 11 of tax in effect under section 1 as of the close of the
 12 first required taxable year ending within such year,
 13 plus 2 percentage points.

14 “(2) ADDITIONAL PAYMENT FOR NEW APPLICA-
 15 BLE ELECTION YEARS.—

16 “(A) IN GENERAL.—In the case of a new
 17 applicable election year, the required payment
 18 shall include, in addition to any amount deter-
 19 mined under paragraph (1), the amount deter-
 20 mined under subparagraph (C).

21 “(B) NEW APPLICABLE ELECTION YEAR.—

22 For purposes of this section, the term ‘new ap-
 23 plicable election year’ means any applicable
 24 election year—

1 “(i) with respect to which the preced-
2 ing taxable year was not an applicable elec-
3 tion year, or

4 “(ii) which covers a different period
5 than the preceding taxable year by reason
6 of a change described in section
7 444(d)(2)(B).

8 If any year described in the preceding sentence
9 is a short taxable year which does not include
10 the last day of the required taxable year, the
11 new applicable election year shall be the taxable
12 year following the short taxable year.

13 “(C) ADDITIONAL AMOUNT.—For purposes
14 of subparagraph (A), the amount determined
15 under this subparagraph shall be—

16 “(i) in the case of a year described in
17 subparagraph (B)(i), 75 percent of the re-
18 quired payment for the year, and

19 “(ii) in the case of a year described in
20 subparagraph (B)(ii), 75 percent of the ex-
21 cess (if any) of—

22 “(I) the required payment for the
23 year, over

24 “(II) the required payment for
25 the year which would have been com-

1 puted if the change described in sub-
2 paragraph (B)(ii) had not occurred.

3 “(D) REQUIRED PAYMENT.—For purposes
4 of this paragraph, the term ‘required payment’
5 means the payment required by this section (de-
6 termined without regard to this paragraph).”.

7 (2) DUE DATE.—Paragraph (2) of section
8 7519(f) (defining due date) is amended to read as
9 follows:

10 “(2) DUE DATE.—

11 “(A) IN GENERAL.—Except as provided in
12 subparagraph (B), the amount of any required
13 payment for any applicable election year shall
14 be paid on or before May 15 of the calendar
15 year following the calendar year in which the
16 applicable election year begins.

17 “(B) SPECIAL RULE WHERE NEW APPLICA-
18 BLE ELECTION YEAR ADOPTED.—In the case of
19 a new applicable election year, the portion of
20 any required payment determined under sub-
21 section (b)(2) shall be paid on or before Sep-
22 tember 15 of the calendar year in which the ap-
23 plicable election year begins.”.

24 (3) PENALTIES.—

1 (A) IN GENERAL.—Section 7519(f)(4) (re-
2 relating to penalties) is amended by adding at the
3 end thereof the following new subparagraph:

4 “(D) FAILURE TO PAY ADDITIONAL
5 AMOUNT.—In the case of any failure by any en-
6 tity to pay on the date prescribed therefore the
7 portion of any required payment described in
8 subsection (b)(2) for any applicable election
9 year—

10 “(i) subparagraph (A) shall not apply,
11 but

12 “(ii) the entity shall, for purposes of
13 this title, be treated as having terminated
14 the election under section 444 for such
15 year and changed to the required taxable
16 year.”.

17 (B) CONFORMING AMENDMENT.—Section
18 7519(f)(4)(A) is amended by striking “In” and
19 inserting “Except as provided in subparagraph
20 (D), in”.

21 (4) REFUNDS.—Section 7519(c)(2)(A) (relating
22 to refund of payments) is amended to read as fol-
23 lows:

1 “(A) an election under section 444 is not
2 in effect for any year but was in effect for the
3 preceding year, or”.

4 (5) CONFORMING AMENDMENTS.—

5 (A) Paragraph (1) of section 7519(c) is
6 amended—

7 (i) by striking “subsection (b)(2)” and
8 inserting “subsection (b)(1)(B)”, and

9 (ii) by striking “subsection (b)(1)”
10 and inserting “subsection (b)(1)(A)”.

11 (B) Subsection (d) of section 7519 is
12 amended by striking paragraph (4) and redesignig-
13 nating paragraph (5) as paragraph (4).

14 (b) OTHER DEFINITIONS AND SPECIAL RULES.—

15 (1) REFUND.—Paragraph (3) of section
16 7519(c) (relating to date on which refund is pay-
17 able) is amended in the matter preceding subpara-
18 graph (A) by striking “on the later of” and inserting
19 “by the later of”.

20 (2) DEFERRAL RATIO.—The last sentence of
21 paragraph (1) of section 7519(d) is amended to read
22 as follows: “Except as provided in regulations, the
23 term ‘deferral ratio’ means the ratio which the num-
24 ber of months in the deferral period of the applicable

1 election year bears to the number of months in the
2 applicable election year.”.

3 (3) NET INCOME.—Paragraph (2) of section
4 7519(d) is amended by adding at the end the follow-
5 ing new subparagraph:

6 “(D) EXCESS APPLICABLE PAYMENTS FOR
7 BASE YEAR.—In the case of any new applicable
8 election year, the net income for the base year
9 shall be increased by the excess (if any) of—

10 “(i) the applicable payments taken
11 into account in determining net income for
12 the base year, over

13 “(ii) 120 percent of the average
14 amount of applicable payments made dur-
15 ing the first 3 taxable years preceding the
16 base year.”

17 (4) DEFERRAL PERIOD.—Paragraph (1) of sec-
18 tion 7519(e) (defining deferral period) is amended to
19 read as follows:

20 “(1) DEFERRAL PERIOD.—Except as provided
21 in regulations, the term ‘deferral period’ means, with
22 respect to any taxable year of the entity, the months
23 between—

24 “(A) the beginning of such year, and

1 “(B) the close of the first required taxable
2 year (as defined in section 444(e)) ending with-
3 in such year.”.

4 (5) BASE YEAR.—

5 (A) IN GENERAL.—Paragraph (2)(A) of
6 section 7519(e) (defining base year) is amended
7 to read as follows:

8 “(A) BASE YEAR.—The term ‘base year’
9 means, with respect to any applicable election
10 year, the first taxable year of 12 months (or
11 52–53 weeks) of the partnership or S corpora-
12 tion preceding such applicable election year.”.

13 (B) CONFORMING AMENDMENT.—Para-
14 graph (2) of subsection (g) of section 7519 is
15 amended to read as follows:

16 “(2) there is no base year described in sub-
17 section (e)(2)(A) or no preceding taxable year de-
18 scribed in section 280H(c)(1)(A)(i).”.

19 (c) INTEREST.—Section 7519(f)(3) (relating to in-
20 terest) is amended to read as follows:

21 “(3) INTEREST.—For purposes of determining
22 interest, any payment required by this section shall
23 be treated as a tax, except that interest shall be al-
24 lowed with respect to any refund of a payment under
25 this section only for the period from the latest date

1 specified in subsection (c)(3) for such refund to the
 2 actual date of payment of such refund.”.

3 **Subtitle H—Deduction for Chari-**
 4 **table Contribution of Appre-**
 5 **ciated Property Limited To Ad-**
 6 **justed Basis**

7 **SEC. 871. DEDUCTION FOR CHARITABLE CONTRIBUTION OF**
 8 **APPRECIATED PROPERTY LIMITED TO AD-**
 9 **JUSTED BASIS.**

10 (a) IN GENERAL.—The first sentence of section
 11 170(e) (relating to contributions of ordinary income and
 12 capital gain property) is amended to read as follows: “The
 13 amount of any charitable contribution of property other-
 14 wise taken into account under this section shall be reduced
 15 by the amount which would have been gain had the prop-
 16 erty been sold by the taxpayer at its fair market value
 17 (determined at the time of such contribution).”.

18 (b) CONFORMING AMENDMENTS.—

19 (1) Subsection (e) of section 170 is amended by
 20 striking paragraphs (3), (4), and (5).

21 (2) Subsection (a) of section 57 is amended by
 22 striking paragraph (7).

23 (3) Subsection (c) of section 642 is amended by
 24 adding at the end thereof the following new para-
 25 graph:

1 “(7) LIMITATION ON DEDUCTION FOR CON-
2 TRIBUTION OF APPRECIATED PROPERTY.—”.

3 (c) EFFECTIVE DATE.—The amendments made by
4 this section shall apply to contributions and gifts made
5 after December 31, 1994.

6 **Subtitle I—Minimum 5 Percent**
7 **Rate of Tax on Interest Paid To**
8 **Foreign Persons**

9 **SEC. 881. MINIMUM 5 PERCENT RATE OF TAX ON INTEREST**
10 **PAID TO FOREIGN PERSONS.**

11 (a) INDIVIDUALS.—

12 (1) Paragraph (1) of section 871(a) is amended
13 by adding at the end thereof the following new sen-
14 tence: “Notwithstanding any treaty obligation of the
15 United States, the rate of tax imposed under para-
16 graph (1)(A) or (1)(C) shall not be less than 5 per-
17 cent.”.

18 (2)(A) Paragraph (1) of section 871(h) (relat-
19 ing to repeal of tax on interest of nonresident alien
20 individuals received from certain portfolio debt in-
21 vestments) is amended by striking “no tax shall be
22 imposed under paragraph (1)(A) or (1)(C) of sub-
23 section (a).” and inserting “the rate of tax imposed
24 under paragraph (1)(A) or (1)(C) of subsection (a)
25 shall be 5 percent. The preceding sentence shall

1 apply notwithstanding any treaty obligation of the
2 United States.”.

3 (B) Paragraph (2) of section 861(h) is amend-
4 ed by striking “which would be subject to tax under
5 subsection (a) but for this subsection and” and in-
6 serting “subject to tax under subsection (a)”.

7 (C) The heading of section 871(h) is amended
8 by striking “REPEAL OF TAX” and inserting “5
9 PERCENT RATE OF TAX”.

10 (b) CORPORATIONS.—

11 (1) Subsection (a) of section 881 is amended by
12 adding at the end thereof the following new sen-
13 tence: “Notwithstanding any treaty obligation of the
14 United States, the rate of tax imposed under para-
15 graph (1) or (2) shall not be less than 5 percent.”

16 (2)(A) Paragraph (1) of section 881(c) (relating
17 to repeal of tax on interest of foreign corporations
18 received from certain portfolio debt investments) is
19 amended by striking “no tax shall be imposed under
20 paragraph (1) or (3) of subsection (a).” and insert-
21 ing “the rate of tax imposed under paragraph (1) or
22 (3) of subsection (a) shall be 5 percent. The preced-
23 ing sentence shall apply notwithstanding any treaty
24 obligation of the United States.”.

1 (B) Paragraph (2) of section 881(c) is amended
 2 by striking “which would be subject to tax under
 3 subsection (a) but for this subsection and” and in-
 4 serting “subject to tax under subsection (a)”.

5 (C) The heading of section 881(c) is amended
 6 by striking “REPEAL OF TAX” and inserting “5
 7 PERCENT RATE OF TAX”.

8 (c) EFFECTIVE DATE.—The amendments made by
 9 this section shall apply to interest received after December
 10 31, 1994, in taxable years ending after such date.

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